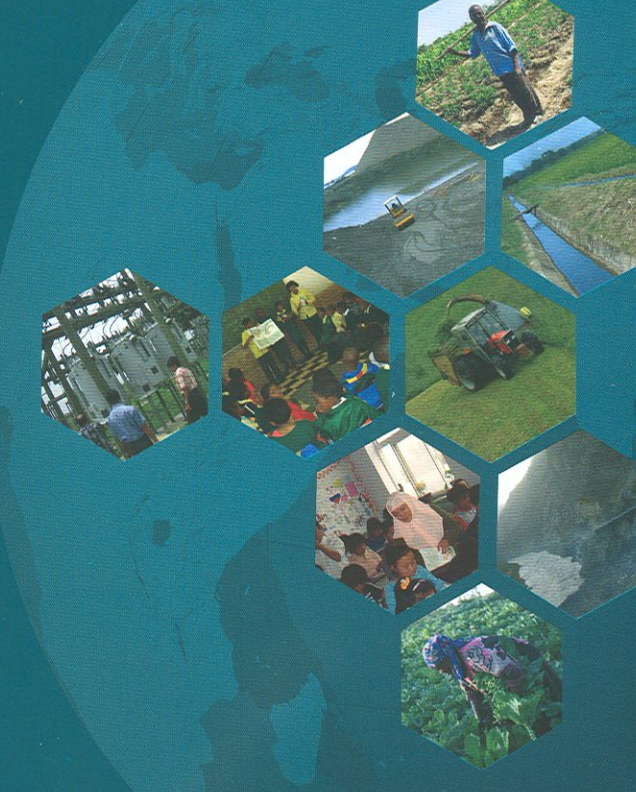
ISLAMIC DEVELOPMENT BANK

THIRTY-THREE YEARS IN THE SERVICE OF DEVELOPMENT



1428H (2007)

ISLAMIC DEVELOPMENT BANK

THIRTY-THREE YEARS
IN THE SERVICE OF DEVELOPMENT

Rabi Thani 1428H (May 2007)

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Rabi Thani 1428H (May 2007)

IDB GROUP OVERVIEW

CAPITAL STRUCTURE

		IDB (ID[i] million)	ICD[ii] ($ million)	ICIEC (ID million)
Authorized Capital	**1427H[iii]**	30,000	1,000	100
	At Inception	2,000	1,000	100
Issued Capital	**1427H**	15,000	500	97.2
	At Inception	750	500	68.8
Subscribed Capital	**1427H**	13,217.7	500	97.2
	At Inception	750	350	68.8
Paid-In Capital	**1427H**	2,810	299.9	72.8
	At Inception	280	88.1	63.8

MEMBERSHIP AND STAFF (AT THE END OF 1427H)

	IDB	IRTI	ICIEC	ICD
Member Countries*	56	-	36	44
Number of Staff**	786	55	48	53

* IDB, IRTI, ICIEC and ICD have common membership.
** Comprises Management, Professional, General and Manual Staff.

NET APPROVALS
1396H-1427H (1 JANUARY 1976 - 19 JANUARY 2007)

Activity	Number of Operations	Amount Approved	
		ID million	$ million
Project Financing from OCR[iv]	1,280	10,178.1	13,816.5
Technical Assistance	589	162.3	214.4
Project Financing by Funds / Entities (UIF, IBP, APIF, ICD and Treasury Dept.)	329	2,984.3	4,237.2
Total Project Financing	**2,198**	**13,162.4**	**18,053.7**
Trade Financing Operations	1,945	20,254.1	27,200.3
Special Assistance Operations	1,129	484	615.4
Total Net Approvals	**5,272**	**33,900.5**	**45,869.3**

[i] Islamic Dinar is the unit of account of the IDB and is equivalent to one Special Drawing Right (SDR).
[ii] As per Articles of Agreement, Authorized/Subscribed Capital for the ICD is in US dollar, which is represented by $.
[iii] It stands for Hijra Year which is an Islamic Lunar calendar system comprising 12 months and contains 354 days, which is about 11 days less than the Gregorian calendar.
[iv] Ordinary Capital Resources (OCR) comprise of (i) subscribed capital (ii) deposits placed with the Bank, (iii) amount received in re-payment of loans, from sales of its equity holding and as income from investment related to ordinary operations, and (iv) any other funds raised or received by the Bank or placed at its disposal or income received by it, which do not form part of IDB Waqf Fund Resources and Trust Fund Resources.

PREFACE

This booklet entitled "Thirty-Three Years in the Service of Development" presents the overall contribution of the Islamic Development Bank (IDB) in different priority development areas. It highlights cumulative achievements of IDB from the perspectives of its activities and major initiatives. It also covers measures undertaken to attain efficiency and effectiveness in development assistance, and institutional capacity building.

In 1427H (2006), the IDB clocked thirty-three years in the service of development. It has evolved from a solidarity institution to a development bank focusing on providing development assistance to member countries as well as Muslim communities in non-member countries.

Over the years, the activities of IDB have spanned many areas including projects financing, trade financing, equity participation, technical assistance, and special assistance operations. These activities have targeted specific sectors such as health, education, agriculture, public utilities, transportation and communication, industry and mining, and Islamic financial industry. The sector financing ensures greater focus on human resources, poverty reduction, science and technology, and economic cooperation.

The IDB, over the years has made significant strides culminating in developing a number of instruments and schemes, establishing affiliated institutions/entities, and funds and responding to the diverse needs of its member countries. Recently, it has embarked on a number of initiatives to reposition itself to meet the challenges emanating from the environment in which it operates and those coming from member countries, resulting in preparing a long-term vision, termed "IDB 1440H Vision" which sets out strategic thrusts and targets to be achieved by 1440H. The OIC Programme of Action arising from the 3rd Extraordinary Session of the Islamic Summit Conference, held in Makkah in December 2005, has led to the doubling of IDB's authorized capital, and setting up of a fund for poverty reduction. The IDB has also recently established a new entity called the International Islamic Trade Finance Corporation for trade promotion. All these major initiatives are intended to significantly improve and strengthen the IDB's ability to effectively serve the growing development needs of its member countries.

This booklet is composed of twelve Sections. Sections 1 to 4 present respectively, introduction, financial resources, financial position and credit worthiness and institutional development. Sections 5 and 6 deal with the role of IDB in fostering economic development based on the Strategic Thrusts identified in the IDB 1440H Vision. Sections 7 to 9 highlight major initiatives of the IDB for promoting Islamic financial services industry, economic cooperation among member countries, and use of science and technology for human development. Sections 10 and 11 describe the activities of the IDB in achieving development effectiveness and becoming a knowledge institution, while Section 12 concludes with challenges facing the IDB Group and the way forward.

It is hoped that the booklet would serve as a useful reference in learning about the diverse activities of the IDB in the service of development.

CONTENTS

ABBREVIATIONS

AAOIFI	-	Accounting and Auditing Organization for Islamic Financial Institutions
APIF	-	Awqaf Properties Investment Fund
CIS	-	Commonwealth of Independent States
COMCEC	-	OIC Standing Committee for Economic and Commercial Cooperation
COMSTECH	-	OIC Ministerial Standing Committee for Scientific and Technological Cooperation
EFS	-	Export Financing Scheme
FDI	-	Foreign Direct Investment
IBP	-	Islamic Banks Portfolio for Investment and Development
ICBA	-	International Centre for Biosaline Agriculture
ICCI	-	Islamic Chamber of Commerce and Industry
ICD	-	Islamic Corporation for the Development of the Private Sector
ICDT	-	Islamic Centre for the Development of Trade
ICIEC	-	Islamic Corporation for the Insurance of Investment and Export Credit
ICECS	-	Islamic Commission for Economic, Cultural and Social Affairs
ICT4D	-	Information & Communication Technology for Development
ID	-	Islamic Dinar which is equivalent to one Special Drawing Right of IMF
IFSI	-	Islamic Financial Service Industry
IFSB	-	Islamic Financial Service Board
IRTI	-	Islamic Research and Training Institute
ITAP	-	Investment Promotion Technical Assistance Program
ITC	-	International Trade Centre
ITFC	-	International Islamic Trade Finance Corporation
ITFO	-	Import Trade Financing Operations
LDMCs	-	Least Developed Member Countries as per IDB's Classification
LDCs	-	Least Developed Countries as per UN classification
MDBs	-	Multilateral Development Banks
MDGs	-	Millennium Development Goals
NDFIs	-	National Development Financing Institutions
NGOs	-	Non-Governmental Organizations
OCR	-	Ordinary Capital Resources
OIC	-	Organization of the Islamic Conference
OPEC	-	Organization of Petroleum Exporting Countries
SESRTCIC	-	Statistical, Economic, and Social Research and Training Centre for Islamic Countries
SME	-	Small and Medium Enterprises
S&T	-	Science and Technology
TA	-	Technical Assistance
TCP	-	Technical Cooperation Programme
UIF	-	Unit Investment Fund
WWF	-	World Waqf Foundation

I. INTRODUCTION

The Islamic Development Bank (IDB or the Bank) was established in pursuance of the Declaration of Intent issued by the Conference of the Finance Ministers of Muslim countries held in Jeddah on 24 Dhul Qa'dah 1393H (18 December 1973). The inaugural meeting of the IDB Board of Governors took place in Rajab 1395H (July 1975) and the Bank formally commenced operation on 15 Shawwal 1395H (20 October 1975). The purpose of the Bank is to foster economic development and social progress of member countries and Muslim communities in non-member countries individually as well as jointly in accordance with the principles of Shari'ah (Islamic Law).

1. Functions

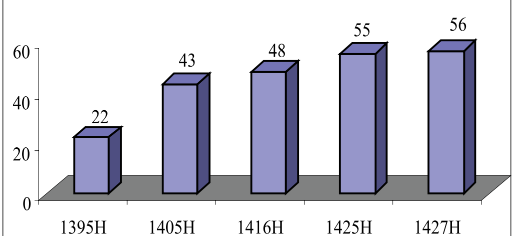
The functions of the IDB are to provide various forms of development assistance for poverty alleviation through human development, forging economic cooperation through promotion of trade and investment among member countries, and enhancing the role of Islamic finance in the social and economic development of member countries. The IDB is also required to establish and operate special funds for specific purposes including a fund for assistance to Muslim communities in non-member countries, in addition, to setting up trust funds.

The Bank is authorized to mobilize financial resources through Shari'ah-compliant modes. It is also charged with the responsibility of assisting member countries in the promotion of foreign trade, especially in capital goods, and providing technical assistance. The IDB also extends training facilities for personnel engaged in development activities in member countries.

2. Membership

From a modest number of 22 countries in 1395H (1975), the membership of IDB has increased to 56 countries by the end of 1427H (January 2007). The growth in IDB membership is depicted in Chart-1. The membership of IDB spans Africa, Asia, Middle East, Europe and Latin America.

Chart 1
Membership of IDB (1395H-1427H)



All IDB member countries are classified as developing countries, out of which 22 are Least Developed Countries (LDCs)[1], according to the United Nations (UN) classification. In addition, six other member countries[2] are designated by IDB as LDCs, bringing

[1]These countries are: Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Djibouti, The Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda and Yemen.
[2]These countries are: Albania, Azerbaijan, Kyrgyz Republic, Palestine, Tajikistan, and Uzbekistan.

the total number of Least Developed Member Countries (LDMCs) to 28, which represents half of its total membership. It is noteworthy that 12 member countries are landlocked[3]. Eligibility for IDB membership requires potential country to first join the Organisation of the Islamic Conference (OIC) and pay its contribution to the capital of the Bank and accept the terms and conditions as decided by the IDB Board of Governors.

3. Management

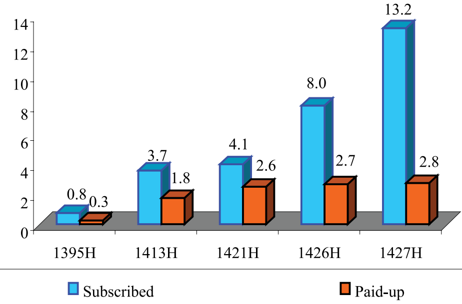
The administrative organs of the Bank consist of the Board of Governors and the Board of Executive Directors (BED). The President, who is the Chief Executive of the Bank and also the Chairman of the BED, oversees the day-to-day business of the Bank under the guidance of the BED. The Bank has three Vice Presidents to assist the President in carrying out the day-to-day functions of the Bank. Each member country of the Bank is represented on the Board of Governors by a Governor or an Alternate Governor. The Board of Governors meets once a year to review the activities of the Bank and decides its future policies and strategies. The BED of the Bank is composed of fourteen members, of which seven are appointed (by major share holders[4]), while the other seven are elected on the basis of geographical representation.

II. FINANCIAL RESOURCES

1. Capital Base

The IDB draws its resources mainly through capital subscription by member countries. The capital base of IDB has witnessed significant expansion over the years. The Authorized Capital of IDB has increased from ID2 billion in 1395H (1975) to ID30 Billion in 1427H (2006). Similarly, the Issued Capital has increased from ID0.75 billion in 1395H to ID15 billion in 1427H and the Subscribed Capital from ID0.75 billion in 1395H to ID13.2 billion in 1427H (Chart-2). However, an amount of ID1.3 billion representing 70 percent of the Callable Capital under the 2nd General Capital increase has also been called up. The substantial increase in the Bank capital over time has been to strengthen its capitalization and enable it to provide additional resources to meet the growing needs for more development assistance by its member countries.

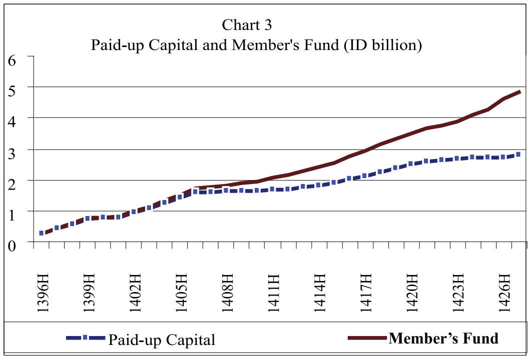
Chart 2
Trends in Subscribed and Paid-up Capital (ID billion)



[3]Afghanistan, Azerbaijan, Burkina Faso, Chad, Kazakhstan, Kyrgyzstan, Mali, Niger , Tajikistan, Turkmenistan, Uganda and Uzbekistan.

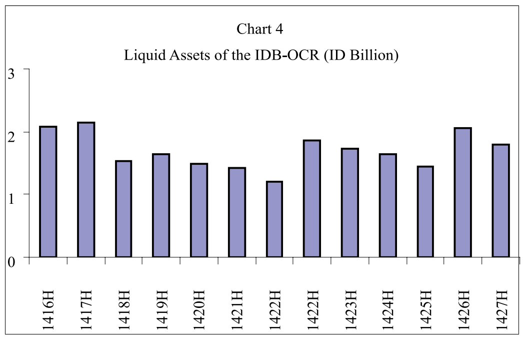
[4]These countries along with their respective share by the end of 1427H, are Saudi Arabia (24.48) %), Libya (12.13%), Kuwait (11.58%), Iran (8.16%), Egypt (8.12%), Turkey (7.35%) and UAE (6.95%).

The paid-up capital of the Bank has increased from ID0.28 billion in 1396H to ID2.81 billion in 1427H. The size of Member's fund[5] has also increased from ID0.28 billion in 1396H to ID4.9 billion in 1427H. Over the past three decades both the paid-up capital and Member's fund have exhibited an increasing trend (Chart-3) which is attributed to continuous receipt of share capital instalments from member countries, transfers of profits to the general reserves, and increase in the fair value of reserves.



2. Liquidity Management

The Bank maintains prudent levels of liquidity to meet its un-disbursed commitments, debt servicing obligations and other operational and cash requirements. The liquid funds are placed with financial institutions in Shari'ah-compliant deposits in international financial markets and in member countries. The liquid funds are placed in basket of currencies constituting IDB's Unit of Account called "ID". In addition, a part of these liquid funds is also utilized to finance short-term trade financing operations. The total liquid assets of the Bank by the end of 1427H were around ID1.8 billion (Chart-4).



3. Resource Mobilization through Sukuk

Since 2003, the IDB has been raising funds from the international market to diversify its source of resources and reduce its reliance on equity subscriptions. The externally mobilized Funds are used mainly for project financing and also for short term trade financing operations. The debut Sukuk[6] was launched as a vehicle for resource mobilization and it generated $400 million which was utilized for project financing purposes. In Jumad Awwal 1426H (June 2005), the Bank launched another Sukuk of $500 million under the Medium-Term Note (MTN) programme of $1 billion. The first issue generated overwhelming response from investors from both member countries and non-member countries. The remaining sum of $500 million will be mobilized from investors depending on the operational requirements of the Bank.

[5]Consists of the members' subscriptions (paid-up capital), plus capital reserves, general and fair value reserves, profits and retained earnings received by the Bank.
[6]It is an asset-backed bond which is designed or structured in accordance with Shari'ah and may be traded in the market.

4. Specialized Funds

Islamic Banks Portfolio for Investment and Development

The Islamic Banks Portfolio for Investment and Development (IBP[7]) is a trust fund established in Rajab 1407H (March 1987), in collaboration with other Islamic banks and financial institutions. The Fund is administered by the IDB as a Mudarib (Manager). The IBP mobilizes liquidity available with Islamic banks and financial institutions and channels it to promote intra-trade and socioeconomic development of member countries in accordance with the principles of Shari'ah. The IBP has a fixed paid-up capital of $100 million and a variable capital of $280 million. Besides, the IBP has access to $300 million placed by the IDB as a specific deposit. During the period 1408H-1427H (1987-January 2007), the IBP approved 264 operations for ID3.1 billion ($4.4 billion), including syndicated financing initiated by the Portfolio.

Unit Investment Fund

The IDB Unit Investment Fund (UIF) was established in 1410H (1989) to mobilize resources to promote foreign investment in member countries. Its main purpose is to complement resources for IDB through securitization of its lease and instalment sale assets to be used for project and trade financing operations. The UIF provides Shari'ah compliant financing to investors for investment opportunities to be used for short-, medium-, and long-term periods. In 1426H, a policy decision was made to allocate up to 30 percent of the Fund's capital for equity investment in national as well as regional markets. In this regard, the Fund developed strategic alliance with regional investment bank specializing in assets management. The capital of the UIF during the past sixteen years (1410H-1427H) increased from $100 million to $325 million, with the participation of 20 institutional investors from 11 member countries. The Fund is listed on the Bahrain Stock Exchange, which has made it possible to trade its units at any time without recourse to the IDB for repurchase. By the end of 1427H (January 2007), the Fund had financed 201 projects for ID1.3 billion ($1.8 billion) in 26 member countries.

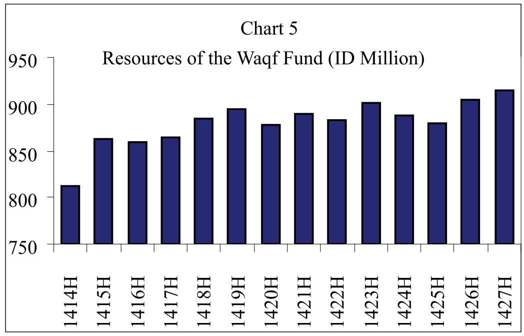
Waqf Fund

The Waqf Fund,[8] formerly called Special Assistance Account, was setup in 1399H (1979) as a trust fund. The Fund derives its income from (i) investment in Shari'ah compliant instruments (ii) trade financing operations (iii) return from cash and cash equivalents and fixed deposits with conventional banks; (iv) profit on managed investment; and (v) investment in Murabaha and other funds.

The income generated from the Waqf Fund is used for social development programmes such as financing Special Assistance operations, Scholarships, Studies, Technical Assistance (T.A) and for activities of International Centre for Biosaline Agriculture (ICBA) and Islamic Research and Training Institute (IRTI). The Special

[7]The Portfolio was dissolved after the establishment of the new entity called International Islamic Trade Finance Corporation (ITFC) and its resources has been transferred to the ITFC.
[8]Waqf is an endowment or a charitable trust devoted exclusively for socially beneficial purposes.

Assistance Programme is primarily to cater to the needs of the Muslim communities and organizations in non-member countries and LDMCs with particular emphasis on social sector development. The Programme also aims to alleviate the suffering of communities affected by natural disasters and emergencies in both member and non-member countries.



The size of the Waqf Fund has reached ID914.5 million ($1.4 billion) by the end of 1427H (January 2007) (Chart-5). The Fund comprises the principal amount of the Waqf Fund ID749 million ($1.1 billion), balance of the Special Assistance Account ID43 million ($64 million) and the Special Account for LDMCs ID122 million ($182.2 million). During 1399H-1427H (1979- January 2007) the cumulative approval for Special Assistance was ID484 million ($615.4 million) for 1,129 operations and programmes, of which $404.3 million was approved for 439 operations in member countries and $211 million for 690 operations for Muslim communities and organizations in non-member countries.

Awqaf Properties Investment Fund

The Awqaf [9] Properties Investment Fund (APIF) was launched as a Trust Fund in Dhul Qa'dah 1421H (February 2001) in accordance with the decision of the 6th Awqaf Ministerial Meeting held in Indonesia on 28 Jumad Thani 1418H (29 October 1997). The Fund aims to develop and invest in socially and economically viable real-estate properties, in accordance with the principles of Shari'ah. The IDB being the Mudarib (Manager) of the Fund provides an adequate return to participants on their investment. In 1426H, the APIF introduced Build, Operate and Transfer (BOT) investment guidelines for participation in the real-estate investment opportunities by charitable Awqaf organizations.

In addition to the APIF's own capital resources of $57 million, the IDB has provided an access to line of financing amounting to $50 million. It has also provided $250,000 as technical assistance to be utilized for supporting expansion of APIF activities. By the end of 1427H (January 2007), the Fund had approved $300 million for 59 operations in 20 member countries and one operation in non-member country.

IDB Infrastructure Fund

The IDB Infrastructure Fund (IIF) is the first private equity investment vehicle to focus on the infrastructure development in member countries. The Manager of the Fund is Emerging Market Partnership (EMP), Bahrain, a subsidiary of EMP Global.

[9] Awqaf , is a plural of Waqf, means assets which are being purchased/held for charitable and socially beneficial purpose.

The strategic objective of the Fund are; a) to seek long-term capital appreciation by making equity and equity-related investments in infrastructure projects and infrastructure related industries in the IDB member countries and b) promote the use of Islamic finance in infrastructure projects.

The first closing of the Fund was on December 6, 2001 and to date the Fund had disbursed $581.4 million in projects. The Fund has returned $434.4 million to the investors (return of capital $79.4 million, and capital gains and dividends $355 million). The Fund is fully committed and the commitment period expired on December 4, 2005. At the end of 1427H (January 2007), the Fund had committed a total amount of $774 million in 18 projects in 9 member countries.

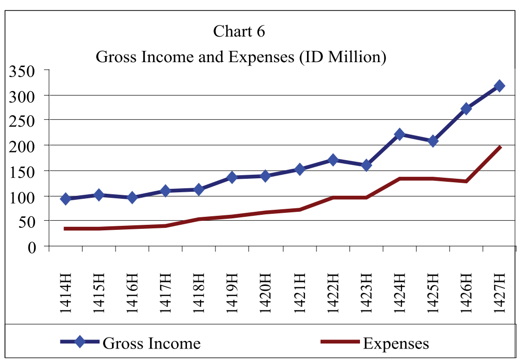
World Waqf Foundation

The World Waqf Foundation (WWF) was established by the IDB in Jumad Thani 1422H (September 2001) in response to a need to create a Global entity for Waqf in collaboration with Waqf organizations run by governments in member countries, non-governmental organizations (NGOs), and philanthropists. The Waqf, a socioeconomic institution, contributes to the plans and programmes of sustainable development that aim at uplifting Muslims from poverty and ending suffering of the poor.

The objectives of the WWF are to: (i) support the establishment of a network of Waqf institutions, coordinate their activities, and provide expertise in relevant fields; (ii) contribute to the alleviation of poverty and advance human development through activities such as supporting education, health, social institutions development programmes, and extending scholarships to students; (iii) provide relief in the form of goods and services; and (iv) extend support for studies and research in the field of Waqf and assist countries to enact uniform Waqf legislation. Further information on WWF is available at www.worldwaqf.org.

III. FINANCIAL POSITION AND CREDIT WORTHINESS

1. Income and Expenses



The gross income of the Bank continued to increase over time. This has been possible because of increase in the volume of investment and prudent investment strategy adopted by the IDB through channelling its resources to more profitable modes of financing as well as placement of liquid assets in high yielding Funds. During the past 14 years (1414H-1427H) the gross income has increased from ID93 million in 1414H (1993) to ID317.3 million in 1427H (2006). During this period, the Bank's expenditure has also increased from ID34 million in

1414H to ID194 million in 1427H. The trends in both the gross income and expenses of the IDB are shown in Chart-6.

2. Risk Management

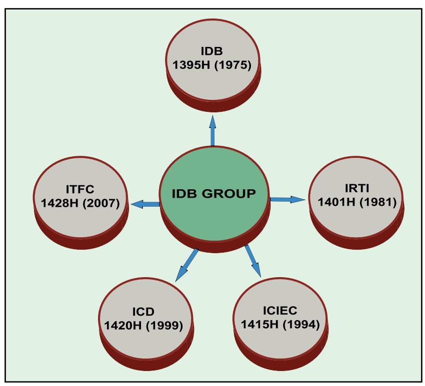
The IDB has adopted a prudent risk management policy and put in place appropriate control mechanism to manage major risks affecting its financial viability, including credit risks, currency risk, liquidity risk and country risk. It has established policies regarding capital adequacy, liquidity, loan provision, operational exposure and concentration risks. The risk mitigation policies and controls mechanism include limiting exposure of IDB investments, specific guidelines for each mode of financing[10], internal rating and scoring system, and limits for counter-parties. The Bank has laid procedures to minimize country risk and guidelines for accepting different guarantees and assignment of receivables. During 1427H, the IDB strengthened its risk management guidelines by main-streaming best practices, standards and operational procedures.

3. International Credit/Risk Rating

The IDB enjoys the highest credit rating as a result of its prudent financial policies. An important milestone was achieved in July 2006 when Moody's Investors Service assigned "Aaa" long-term and "Prime-1" short term issuer rating to the IDB. Since 2002, the Bank has maintained long-term "AAA" and short-term "A-1+" ratings from the Standard and Poor's. Furthermore, the "FitchRatings" in December 2006 also upgraded the rating of the IDB from "AA" to "AA+" and the outlook from Stable to Positive and assigned a rating of "F1+", the highest level, for the short-term. Under the new Basel Capital Accord (Basel II) issued in June 2004, the IDB has been classified as a "Zero Risk Weighted" multilateral development bank by the Bank of International Settlements (BIS). All these achievements were due to positive and stable outlook, solid liquidity position, strong balance sheet, and high quality of the Bank's assets. These ratings confirm the financial soundness of the Bank and made it feasible to tap resources from the international capital market on competitive terms.

IV. INSTITUTIONAL DEVELOPMENT

1. Evolution into a Group



Over the past three decades, the IDB has evolved from a single entity into a Group comprising five entities: the Islamic Development Bank (IDB), Islamic Research and Training Institute (IRTI), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), Islamic Corporation for the Development of the Private Sector (ICD) and International

[10] A Shari'ah-compliant instrument used by IDB to extend financing depending on the nature of the underlying project or operation and the party to which the financing is extended.

Islamic Trade Finance Corporation (ITFC). This expansion has enabled the Bank to undertake wide ranging activities to serve the diverse needs of its member countries. The entities in the IDB Group have their separate Articles of Agreements and operate autonomously.

Islamic Research and Training Institute

The Islamic Research and Training Institute (IRTI) was established in 1401H (1981) to undertake research, provide training, information services and develop practical application of Islamic banking and finance. It undertakes these activities with a view to building capacity and promoting dialogue among IDB member countries to bring their economic, financial and banking activities in conformity with Shari'ah.

The research activities of the IRTI include organizing and conducting fundamental and applied research in the field of Islamic economic, banking and finance. Under its Encouragement and Promotion Programme, the IRTI, since 1408H (1988), has been responsible for overseeing the annual international IDB Prize. The Prize consists of a citation carrying the Bank's emblem and a cash award of about $40,000, which alternates every year between Islamic economics and Islamic banking. The IRTI also has a visiting scholar's scheme and Shari'ah lectures series and provides research grants to various individuals and institutions for undertaking different activities related to Islamic banking and finance.

The IRTI has undertaken a project to produce text books on Islamic economics. In this context a workshop was organized to explore the modalities of writing the text books with the involvement of some universities. The 1st volume of a series of handbooks entitled "Anthology of Islamic Economics, Exploring the Essence of Islamic Economics" has been prepared and is currently under review of the Academic Committee.

The IRTI has initiated a policy dialogue with the stake-holders under two working groups focusing on (i) Poverty Alleviation and (ii) Financial Sector Development. In 1427H, the working group on Poverty Alleviation developed a document entitled "Poverty Reduction Strategies in member countries in Sub-Saharan Africa: Incorporating role of Zakah[11] and Awqaf". It has also prepared a study on "The Fiqh issues on application of Zakah at the State Level". Similarly, the working group on Financial Sector Development prepared a "Ten-Year Framework for the Development of Islamic Financial Service Industry (IFSI)" which will be considered by the IDB and Islamic Financial Service Board (IFSB) Council in their next meeting.

In the area of knowledge management and capacity building, a Task Force comprising internal and external experts was established to study the IRTI's role in transforming IDB into a Knowledge Bank. The IRTI continues to play a leading role in knowledge acquisition, creation, and sharing in the IDB Group on its member countries. The IRTI, which has established an International Forum for Information and Communication

[11] A religious levy ordained on Muslims and payable annually at a rate of 2.5 percent on net assets and to be spent on specified beneficiaries as prescribed by Shari'ah.

Technology (ICT), and a Working Group on ICT for Development (ICT4D) is making use of ICT tools for both accumulation and dissemination of information. It is developing an Awqaf Databank Portal and a Publication Management System as well as maintaining a global IDB Database of Experts (IDBDE), and an Islamic Banks Information System (IBIS), covering vital information on Islamic Banks world over.

During 1401H-1427H (1981-January 2007), the IRTI organized 187 seminars/ conferences/ workshops/forums which were attended by over 12000 persons and 283 training courses were attended by about 9000 persons. The research work of the IRTI is published in the form of research papers, background and discussion papers and seminar proceedings in English, Arabic and French languages. Out of 258 publications of the IRTI, 150 research papers were contributed by external scholars on various themes of Islamic economics, banking, finance and cooperation. The IRTI also publishes two research biannual journals in Arabic, English and French languages and a monthly e-newsletter, covering its activities. More information about IRTI is available at www.irti.org.

Islamic Corporation for the Insurance of Investment and Export Credit

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established on 24 Safar 1415H (1st August 1994) and began operations in 1416H (1995). Its aim is to enlarge the scope of trade transactions and investment flows among member countries of the OIC. It encourages exports to and from member countries by providing Shari'ah-compliant export credit insurance and re-insurance to cover the risk of non-payments of export receivables and non-commercial (country) risk. It also facilitates the flow of foreign investment to member countries by encouraging the use of insurance against country risks. Similarly, it provides re-insurance facilities to the Export Credit Agencies in member countries to enhance their insurance capacity.

By the end of 1427H (January 2007), the shareholders of the ICIEC comprised of 36 countries and the IDB. The authorized capital of the ICIEC is ID100 million, of which IDB owns 50 percent and the remaining 50 percent is available for subscription by member countries of the OIC. Its subscribed capital was ID97.2 million ($144.9 million) in 1427H (2006) with IDB subscribing ID50 million ($74.5 million), while 36 member countries subscribing ID47.2 million ($70.4 million). By the end of 1427H, the paid-up capital of the ICIEC amounted to ID72.8 ($108.4 million).

Between 1417H-1427H (1996-January 2007), the ICIEC's total insurance commitments reached to ID2.8 billion ($4.0 billion) and the total business insured over the same period was ID1.6 billion ($2.3 billion). In 1427H (2006), the ICIEC recorded an impressive growth in its insurance business, as new insurance commitments increased by 73 percent, reaching $1.4 billion. The business insured also increased from $618 million in 1426H (2005) to $859 million in 1427H (2006). The focus of the ICIEC business operation has been on general manufacturing, petrochemical and electrical cables. Detailed information on the ICIEC is available at www.iciec.com.

Islamic Corporation for the Development of the Private Sector

The Islamic Corporation for the Development of the Private Sector (ICD) was established in Rajab 1420H (November 1999) to promote the development of private sector in member countries. It provides a wide range of Shari'ah-compliant financial products and services with the view to expanding access to Islamic capital markets, mobilizing additional financing resources for the private sector, promoting entrepreneurship in member countries and encouraging cross country investments. The ICD has an authorized capital of $1 billion, of which $500 million was made available for initial subscription. The IDB has subscribed to 50 percent of the ICD capital, while member countries and public financial institutions have subscribed 30 percent and 20 percent, respectively. The paid-up capital of the ICD reached $300 million at the end of 1427H (January 2007). So far, in addition to the IDB, 50 countries have signed the Articles of Agreement of the ICD, out of which 44 countries and 5 public financial institutions had ratified it, while other member countries are at the ratification stage.

The ICD provides its clients with a variety of financial products such as direct financing through equity participation, term-financing, line of financing to commercial banks and National Development Financing Institutions (NDFIs), short-term corporate finance, asset management, structured financing, and advisory services to private and public companies.

Over the period 1421H-1427H (2000- January 2007), the ICD approved 81 projects for 19 member countries amounted to ID330.8 million ($476 million). The ICD's sectoral financing showed that industrial sector accounted for 36 percent; financial sector 20 percent; telecom and real state sector 10 percent; healthcare 6 percent; transportation; pharmaceutical; oil and gas and technology 4 percent; and education 2 percent. More information on the ICD is available at www.icd-idb.org.

International Islamic Trade Finance Corporation

The 30th meeting of the IDB Board of Governors held in Malaysia in Jumad Awwal 1426H (June 2005) approved the creation of the International Islamic Trade Finance Corporation (ITFC), which is the new member of the IDB Group with a status of an international organization. The objective of the ITFC is to increase the level of trade financing with a view to promoting intra-trade and enhancing its development impact. The ITFC will finance inter-regional trade, upgrade the exports capabilities of member countries with the overall objective of increasing the volume of trade. The ITFC will consolidate the overall trade related business currently undertaken by various IDB Group's windows under a single umbrella. As of April 4, 2007, 47 member countries and 8 financial institutions had signed the Article of Agreement and 23 member countries and 8 institutions already submitted instrument of ratification to the IDB. In addition, 9 member countries and 9 institutions have applied to join the ITFC and are in the process of satisfying the membership requirements. The 1st meeting of the General Assembly of the ITFC was held on 6 Safar 1428H (24 February 2007), which was attended by 47 member countries and 15 financial institutions. The 1st meeting of the ITFC Board of Directors was held on 19 Rabi Awwal 1428H (7 April 2007). The ITFC is now ready to commence its operations.

The ITFC has Authorized Capital of $3 billion and its initial Subscribed Capital of $500 million will comprise the existing equity of the EFS and the IBP. The IDB will maintain majority share of 51 percent and the balance will be held by the member countries. In addition to the share capital, the Corporation is mandated to mobilize additional resources from the market to complement its financial requirements and manage dedicated funds with contribution from member countries. The principal office of the Corporation is located in Jeddah, Kingdom of Saudi Arabia and the first branch will be located in Dubai, UAE.

2. Affiliated Institutions

International Centre for Biosaline Agriculture

The International Centre for Biosaline Agriculture (ICBA) is based in UAE and was established in 1420H (1999) as a non-profit international applied research and development centre, with a mission to develop and promote the use of sustainable agricultural systems that uses saline water to grow crops. The ICBA generates knowledge and develops new technology in saline irrigated agriculture in the arid and semi-arid environment and harsh climatic conditions, particularly in the Gulf environment. The Centre has developed a wide range of expertise and runs programmes in areas of plant genetic resources, irrigation, salinity management, and reclamation of salt affected lands. It organizes seminars, workshop and training programme to share experience with experts from member countries.

The ICBA is currently working with the Municipality and Works Department of Abu Dhabi on a project worth 4.6 million Emirate Dirham (AED) to prepare a comprehensive soil survey to classify all land types. The ICBA has initiated a forage project for seven member countries namely UAE, Pakistan, Oman, Syria, Tunisia, Jordan and Palestine in collaboration with the International Fund for Agriculture Development (IFAD), Arab Fund and OPEC Fund. Similar projects are being implemented in the marginal areas of the West Asia and North Africa.

The ICBA in collaboration with International Water Management Group (IWMG) and International Centre for Agricultural Research in the Dry Areas (ICARDA) is implementing a three year project called “Bright Spots in the Aral Sea” which is financed by the Asian Development Bank (ADB) to enable communities in Uzbekistan, Kazakhstan and Turkmenistan to combat land and water degradation. The ICBA has provided technical assistance to Bangladesh for improving irrigation and cultivating practices; Jordan for expanding date-palm cultivation; Pakistan for using of low quality water for cultivation in desert and salt-affected areas; and Iran for introducing native halophytes into agriculture production in salt affected areas. The ICBA is working on a project in UAE for investigating best date-palm and oil variety for salt tolerance. During the period 1999-January2007, the IDB and other donors made contributions of $19 million and $5 million, respectively, for the activities of the ICBA. It is also executing an IDB financed project in Niger to control salinity by improving the irrigation methods. Currently, the ICBA is developing its future strategic plan for 2007-2011 and has hired services of an international panel of experts.

In the area of information dissemination, the ICBA hosts an e-network on its Website, called the Global Biosaline Network and Inter-Islamic Network, to link individuals and agencies with common scientific interest in bio-salinity. It is also developing a database of research scientists to prepare a Who's-Who in the field of Biosaline agriculture in the OIC member countries. Furthermore, the ICBA produces a range of publications, including its quarterly newsletter titled "Bio-salinity News" published in English and Arabic languages. Further information on ICBA is available at www.biosaline.org.

3. Management of Funds, Scheme and Project

Besides its own Funds and affiliated Institutions, the IDB manages other Funds, Scheme and project. The activities of these is provided as under:

Al-Aqsa and the Al-Quds Funds

The IDB administers the Al-Aqsa and the Al-Quds funds, which were established by the Arab Summit Conference held in Rajab 1421H (October 2000) with the declared capital of $1 billion. The objective of these funds is to provide socioeconomic assistance and finance re-construction projects in Palestine. Vital projects in the area of education, health, infrastructure, provision of municipal facilities, and expansion of trade and industry are financed by these Funds. The IDB oversees the implementation of the Funds programme in partnership with the UN agencies, Ministries and the local NGOs. By the end of 1427H (January 2007), under these two funds a total amount of $765 million was committed for different projects.

BADEA Export Financing Scheme

This is a special scheme which emerged from an MoU signed in 1418H (1998) between the IDB and the Khartoum-based Arab Bank for Economic Development in Africa (BADEA). The MoU was initially signed for three years beginning from 1419H (2001) and after the expiry of the initial period it was renewed twice for another six years. Under the programme, the IDB manages $50 million fund as a Mudarib (Manager) to finance exports from the Arab League member countries to the non-Arab League member countries of the African Union. By the end of 1427H (January 2007), the Scheme had financed 26 operations in favour of importers from 11 African countries[12] and one operation for Afrexim-bank, amounting to $163.6 million. After the successful implementation of the programme for nine years, starting from 1427H (2006), the BADEA has finalised new arrangement with the IDB to increase the amount of funding available under the scheme to $75 million and to increase the products and country coverage. The scheme is now involved in co-financing activities in some of the IDB's trade financing operations.

[12]Namely Angola, Cape Verde, Gambia, Guinea, Kenya, Mauritius, Senegal, Seychelles, Tanzania, Uganda, and Zimbabwe.

Saudi Arabian Project for the Utilization of Hajj Sacrificial Meat

As the name suggests, the Saudi Arabian Project for the Utilization of Hajj Sacrificial Meat is owned by the Government of Saudi Arabia but its implementation is entrusted to IDB. The project serves the Pilgrims during the Hajj period especially in performing, on their behalf, the rite of animal sacrifice. The Bank also oversees the utilization of Sacrificial meat in accordance with established religious norms. The meat is distributed to the needy and poor in some member countries and Muslim communities in non-member countries.

Because of the importance use of gelatine for medical and nutritive purposes, the IDB has established a joint company under the name of United Company for the Manufacturing of Gelatine and Organic Materials with a Chinese partner to produce 300 tons of halal (religiously acceptable) gelatine extracted from the skin and bones of slaughtered animal. The company will also produce over one billion hard gelatine capsules and is expected to be in production at the end of Hajj Season of 1428H (January 2008).

Beginning from 1427H, the Bank has introduced online purchase of coupons for animal sacrifice from any part of the world via internet by using credit card (www.adahi.org). The online Internet service will allow the IDB to build-up a central databank for better planning and management of services.

4. Organizational Development

Staff

At inception in 1975, the IDB had 78 staff from 17 member countries. The staff strength of the IDB Group grew to 942 by the end of 1427H, comprising 460 Professionals, 83 Special category, 323 General staff and 76 Manual staff. The IDB recruits staff of the highest competence. It maintains a multi-ethnic mix of high-caliber staff, representing 74 nationalities from both members and non-member countries. The IDB has a Young Professionals (YPs) Program which is designed to attract outstanding young and motivated individuals from around the world. During 1427H, the IDB recruited 23 YPs and plans to recruit 40 YPs annually under the programme. In addition to the regular staff, the Bank also recruits outside consultants and experts for short-term assignments to assist in carrying out its operational and non-operational activities.

Enhancing Field Presence

The Bank is headquartered in Jeddah, Kingdom of Saudi Arabia, and has regional offices in three member countries: Almaty (Kazakhstan), Kuala Lumpur (Malaysia), and Rabat (Morocco). It is also in the process of opening its fourth regional office in Dakar, Senegal. The Bank has field representatives in 13 member countries namely Bangladesh, Guinea, Guinea Bissau, Indonesia, Iran, Libya, Mauritania, Nigeria, Pakistan, Senegal, Sierra Leone, Sudan, and Uzbekistan. These regional offices/ field representatives provide support for the Bank's operations and play important role in the realization of its objectives. Responsibility of the regional offices/field representatives includes, assisting in the implementation of the Bank's projects at

regional and country levels, facilitating country level policy dialogue, coordinating IDB's development assistance, identifying projects for IDB financing, marketing and providing information on IDB products and services to prospective partners both in public and private sectors.

V. IDB 1440H VISION

The IDB has recently adopted a long-term vision termed "IDB 1440H Vision". The Vision is aimed to assist the IDB to reposition itself in the face of challenges arising from member countries and from the environment in which it operates. The mission statement in the IDB 1440H Vision aspires that the IDB Group shall become a world-class development bank, inspired by Islamic principles, that has significantly transformed the landscape of comprehensive human development in Muslim world.

The IDB 1440H Vision outlined nine strategic thrusts with a mission to promote comprehensive human development, by focusing on the priority areas of alleviating poverty, improving health, promoting education, improving governance, and prospering the people. By 1440H, IDB should have transformed itself into a knowledge-based bank striving together with the member countries, to realize the strategic goals which include, among others: reduce by three quarters the proportion of the population living under $1 a day; reduce by three quarters the under-five death rate; and double, at least, the GDP of all member countries. The IDB is currently in the process of implementing its 1440H Vision through a set of "Quick Win" programmes and Science and Technology (S&T) Early Harvest Programme.

1. Institutional Reform

The first of the nine Strategic thrusts of the IDB 1440H Vision is "Reform IDB". This thrust is considered the cornerstone for the implementation of other eight strategic thrusts. Six areas have been identified as critical elements for the future IDB Reform process which are: (i) Undertake Institutional Reform and Improve Corporate Governance, and Organizational Structure; (ii) Enhance staff skills to achieve high level of performance through motivation and talent development; (iii) Improve business processes by making use of Information Technology (I.T) and to include best practices in developing new systems for Finance, Operations, Treasury, Human Resource and Special Assistance; (iv) Align its operations and policies with the IDB 1440H Vision and in line with the policies of other world class institutions; (v) Pursue Knowledge Management encompassing all elements including human capital, I.T systems, and processes; and (vi) Undertake comprehensive diagnostic studies for gap analysis and cultural assessment for ensuring successful implementation of the IDB Vision.

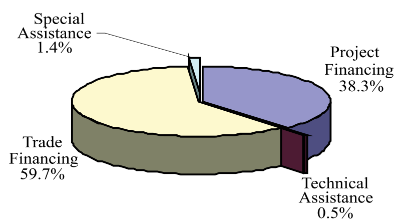
The Terms of Reference for undertaking the reform initiative in selected areas have been finalized and the Bank is in the process of hiring the services of international consultants to conduct these studies. The reform process, once completed, will chart the future course of IDB to reposition itself to become an effective and efficient world-class institution.

VI. DEVELOPMENT ASSISTANCE TO MEMBER COUNTRIES

Over the past three decades, the Bank has financed development programs in both public and private sectors of member countries, provided technical assistance and assisted in promotion of foreign trade. By virtue of its mandate, the IDB provides development financing to its member countries through three major types of operations, namely (i) ordinary operations (comprising project financing and T.A); (ii) trade financing operations; and (iii) Waqf Fund (Special Assistance) operations. The IDB's development assistance to its member countries and Muslim communities in non-member countries has increased from ID0.14 billion in 1396H (1976) to ID3.5 billion in 1427H (January 2007). The cumulative net financing of the IDB Group for all three types of operations at the end of 1427H (January 2007) reached ID33.9 billion ($45.9 billion) for 5,272 operations.

Chart 7

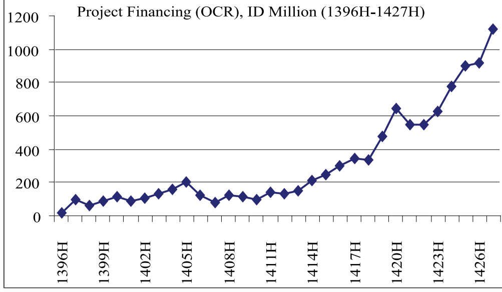
IDB Group Financing (1396H-1427H)



Trade financing of the IDB Group remains predominant at ID20.3 billion ($27.2 billion) for 1,945 operations, representing almost 60 percent of its total financing (Chart-7), followed by project financing including T.A at ID13.2 billion ($18.1 billion) (around 39 percent) for 2,198 operations, and Special Assistance at ID0.5 billion ($0.62 billion) (1.4 percent) for 1,129 operations. During the period 1396H-1427H, the project financing of the IDB recorded upward trends (Chart-8).

Chart 8

Project Financing (OCR), ID Million (1396H-1427H)



The Concessional and Ordinary financing of the OCR during 1396H-1427H (1976- January 2007) reached ID3.3 billion ($4.4 billion) and ID6.9 billion ($9.4 billion), representing a share of 32.3 percent and 67.7 percent, respectively. Regionally, Concessional financing was highest for the African region at ID2 billion ($2.7 billion), representing 20 percent of total project financing as compared to the Asian region at ID1.2 billion ($1.5 billion) representing 11 percent. In contrast, the Asian region's Ordinary financing was ID4.1 billion ($5.7 billion) representing 40 percent of total project financing, while the Ordinary financing for African region was ID2.3 billion ($3.1 billion) representing a share of 23 percent.

The sectoral distribution of cumulative project and T.A financing from IDB OCR during 1396H-1427H, showed that public utilities accounted for 30 percent, social

services 22 percent, transport and communication 21 percent, agriculture 11 percent, and industry and mining 11 percent.

1. Poverty Alleviation

Poverty alleviation is a major theme in all initiatives of IDB such as the Strategic Plan, the IDB 1440H Vision, and the OIC 10-Year Programme of Action. For this reason, the Bank has devoted considerable resources to reduce poverty in its member countries particularly in the LDMCs, which have high incidence of poverty. So far, the IDB has provided development assistance to LDMCs for improving basic rural and urban infrastructure such as the supply of drinkable water, electricity, and expanding education and health facilities. The following section describes IDB the interventions in member countries in the area of poverty alleviation.

Development Assistance to LDMCs

The Bank provides development assistance to its LDMCs through Concessional financing, Trade financing, and Special Assistance. During 1396H-1427H (1976-January 2007), the IDB financed 1,464 operations for ID6.8 billion ($9.1 billion) in LDMCs, which represented over a quarter of its total net approvals. However, project financing and T.A to LDMCs reached ID3 billion ($4.07 billion), representing 30 percent of total net approvals.

The LDMCs received the major share of the cumulative IDB loans from OCR amounting to ID2 billion ($2.7 billion) for 397 projects. Under the LDMCs Loans, the IDB financed projects that targeted primary services, such as basic schooling and health care, safe drinking water, and micro projects in rural areas. By the end of 1427H (January 2007), the net approval from the LDMCs loans was ID217.5 million ($300 million) for 140 projects. The LDMCs also received the major share of the T.A provided by the IDB, which is intended for strengthening institutional capacity. By the end of 1427H, the Bank provided T.A of ID99 million ($127.8 million) in favour of 313 operations for LDMCs, representing 62 percent of its total T.A approvals. Similarly, under the Special Assistance (Waqf) Programme which focused on the socioeconomic development of LDMCs, the IDB approved 255 projects amounting to ID205.7 million ($250.9 million), representing 64 percent of total approvals.

Progress on Ouagadougou Declaration

The IDB has extended full support to the initiative of African Union called the New Partnership for Africa's Development (NEPAD). The IDB Board of Governors at its annual meeting held in Ouagadougou (Burkina Faso) in October 2002 adopted the Ouagadougou Declaration in support of the NEPAD initiative. Under Ouagadougou Declaration, the IDB Group committed $2 billion for 5 years (1424H-1428H) (2003-2007) to finance projects in key sectors in African LDMCs. The objective of IDB's intervention is to accelerate economic growth and contribute to fighting poverty in African member countries. During the last four years (1424H-1427H), the IDB Group, under the programme, approved $1.7 billion as development assistance to its LDMCs in Africa, which represents 83 percent of the allocated funds for the programme. Of

this amount, $1.2 billion was for project financing and T.A and $0.5 billion for trade financing, representing 71 percent and 29 percent of the total approvals, respectively. Vital sectors benefiting from the Ouagadougou Declaration include transport and communication, public utilities, and social sectors such as heath and education.

Participation in Debt Relief Initiatives

In order to assist its LDMCs to reduce their debt burden, the IDB since 1997 has been participating in the Heavily Indebted Poor Countries (HIPC) Programme of the World Bank/IMF in rescheduling debt of its eligible member countries. So far, under the HIPC programme, 40 countries have been declared eligible or potentially eligible for debt relief amounting to $64 billion in net present value terms of end-2005. Out of the total of 40 countries, 22 countries are at post completion point and qualified to receive assistance under HIPC programme, 8 countries are between decision and completion point and 10 countries are at pre-decision point. Out of the 20 IDB member countries[13] eligible to receive debt relief under HIPC programme, 10 member countries[14] are at the completion point, 4 member countries[15] are at the decision point, and 6 member countries[16] are at the pre-decision stage. By the end of 1427H (January 2007), 14 member countries had either received the debt relief or were in the process of receiving it. The IDB's contribution to debt relief package amounted to $150 million for 14 member countries. The IDB debt relief package has been approved for Benin, Burkina Faso, Cameroon, Chad, Gambia, Guinea, Mali, Mauritania, Niger, Senegal, Sierra Leone and Uganda. For Mozambique, the Bank has no exposure at decision point date while for Guinea Bissau the delivery of its debt relief share is yet to be finalized.

Fund for Poverty Reduction

The 3rd Extraordinary Session of the OIC Summit held in Makkah, Saudi Arabia, on 5-6 Dhul Qa'dah 1426H (7-8 December 2005) has underlined the importance of setting up a special facility within the IDB to finance activities aimed at reducing poverty; building institutional and productive capacities; and eradicating illiteracy, diseases and epidemics in the OIC member countries, particularly in Africa. Subsequently, the IDB Board of Governors approved the establishment of the Fund at its 31st Annual meeting held in Kuwait in May 2006.

The Fund will have targeted principal capital of amount $10 billion. The major contributors to the Fund are Saudi Arabia and Kuwait, which have pledged $1 billion and $300 million respectively. Furthermore, 19 other member countries have also made contributions to the fund. In addition to voluntary contributions from member countries, the Fund is expected to tap into Zakah and Awqaf resources and private donations. The Fund is expected to be launched on the occasion of 32nd Annual meeting of the IDB Board of Governors in Dakar-Senegal, in May 2007.

[13]These countries are: Benin, Burkina Faso, Cameroon, Chad, Gambia, Guinea, Guinea Bissau, Kyrgyz Republic, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Comoros, Cote d'Ivoire, Somalia, Sudan, Togo, and Uganda

[14]Benin, Burkina Faso, Cameroon, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, and Uganda.

[15]Chad, Gambia, Guinea, and Guinea Bissau.

[16]Comoros, Cote d'Ivoire, Kyrgyz Republic, Somalia, Sudan and Togo.

Capacity Building Programme for the OIC Countries

The Capacity Building Programme for the OIC Countries was launched in December 2004, in Kuala Lumpur, Malaysia to enhance capacity to better manage and improve the performance of economies of member countries with ultimate objective of reducing poverty, improving living standards and raising the productive capacity. A joint Steering Committee has been established to oversee the implementation of the Programme. The Committee is comprised of 18 member countries[17] of the OIC, the IDB and the OIC Secretariat. The Capacity Building Programme aims at sharing/ utilizing the valuable experiences of relatively more advanced countries for the benefit of less developed member countries to enhance their institutional capacity in potential sectors. Implementation of the pilot phase of the programme, which started in 1426H (2005), is initially for a period of 2-3 years. Under the 1st Phase of the Programme, the IDB has allocated $24 million and the Government of Malaysia will provide a total amount of $3.8 million for the four Capacity Building projects, which include (i) Palm Oil Industry in Sierra Leone, costing $9 million; (ii) Marine Fisheries Sector in Bangladesh, costing $10.9 million; (iii) Exploring Oil and Minerals in Mauritania, costing $5 million; and (iv) Small Enterprises and Microfinance Scheme in Aceh Province of Indonesia, costing $1.7 million. The 2nd Phase is expected to include four more projects in favour of (i) Jordan for development of Wind based renewable Energy, (ii) Yemen for formulation of Economic Policy framework, (iii) Maldives for development of Fisheries sector, and (iv) Guinea for development of Mango production and Pulp processing.

Supporting Civil Society

Involvement of non-governmental organizations (NGOs)/civil societies in the development process is vital for ensuring quality and delivery of services at the grass root level. The IDB considers NGOs as essential partner in the development process of providing services to the disadvantaged groups and empowering local communities in its member countries. The IDB has been financing activities of the NGOs and building their capacity to be able to better serve the needs of their communities. The IDB is also working with NGOs to address the problem of blindness in Africa by making provision for Cataract surgery. Since 1421H (2000), the IDB has financed 125 projects for NGOs in member countries amounting to $4 million.

Global Outreach

The IDB enhances the human capital of Muslim minorities in non-member countries by strengthening the capacity of institutions involved in education, health and other social activities. The Special Assistance Programme was established in 1400H (1980) to assist Muslim communities in non-member countries to improve their living conditions, harness their skills, and preserve their culture and identity. Cumulative approvals under the Special Assistance programme (Waqf) by the end of 1427H (January 2007) amounted to $211 million for 690 operations for Muslim communities and organizations in about 60 non-member countries.

[17] Algeria, Bangladesh, Brunei, Egypt, Indonesia, Iran, Jordan, Kuwait, Morocco, Malaysia, Oman, Pakistan, Qatar, Saudi Arabia, Senegal, Turkey, U.A.E and Yemen.

Assistance for Emergencies and Natural Disasters

The IDB provides relief assistance for post conflict emergencies or natural disasters to its member countries as well as the Muslim communities worldwide. Twenty-nine IDB member countries are located in the disaster prone areas, according to the recent World Bank report entitled “Natural Disaster Hotspots”. In order to assist countries affected by earthquake the IDB provided development assistance of $200 million for Algeria and $201 million for Iran in 1424H (2003). It also extended assistance of $500 million for 6 Asian countries affected by Tsunami disaster in 1425H (2004). Likewise, the IDB approved $501.6 million as an emergency assistance package for earthquake affected areas in Pakistan in 1426H (2005).

The IDB in the recent years has extended special assistance packages for reconstruction of member countries facing problems. It provided $50 million to Afghanistan and $500 million to Iraq. It has also provided reconstruction assistance to Lebanon totalling $100 million in 1420H (1999) and 250 million in 1427H (2006). As part of reconstruction program in 1427H, the Bank provided a soft loan worth $15 million for the housing facilities for earthquake affected people in Pakistan and $80 million for Tsunami affected people in Indonesia. In addition to its own Special Assistance operations, the IDB is also coordinating the implementation of several reconstruction and rehabilitation projects with the Saudi Charity Campaign for about $18 million. It is also implementing an Orphan Sponsorship program under the OIC Alliance for Child Victims of Tsunami in Indonesia, by sponsoring about 3000 orphan children for a period of 15 years. Furthermore, the IDB in partnership with UNDP has provided assistance to conflict affected countries such as Afghanistan and Palestine. Moreover, it is collaborating with the Global initiatives of the multi-lateral agencies including the World Bank and the UN to implement “Hyogo Framework” a blue print for disaster reduction efforts for the period 2005-15.

2. Women Empowerment

Mainstreaming women in the development process of a country is vital for poverty alleviation. Since 1419H (1998), the Bank has been supporting initiatives aimed at bringing women into the forefront of development process by supporting and financing women-focused projects. In term of building women’s capabilities, the IDB has initiated training programmes in collaboration with NGOs.

The IDB has established a Women’s Advisory Panel in order to assist in formulating suitable programs inline with Islamic values and in addressing mainstreaming women issues in its operations. The IDB has organized three meetings of the Panel which has resulted in devising a program for empowering women and encouraging their participation in the socioeconomic development process. Based on the recommendations of the Panel, the Bank has started the process of formulating strategic framework by giving priority to the sectors that have direct and maximum impact on women. To increase opportunities for Muslim women entrepreneurs, the IDB is also planning to organize an annual women business forum.

In order to encourage the participation of women to contribute to their society, the IDB has established an annual prize for "Women's Contribution in Development", which is awarded to the highest achieving woman, women's group, or organizations in IDB member countries and in Muslim communities in non-member countries. The aim of the Prize is to recognize, reward and encourage an accomplishment of outstanding merit which has resulted in integrating women in the development process and helped in improving their human and social conditions. The Prize consists of a cash award of $50,000 for individual or a group and $100,000 for an organization along with a citation recognizing the contributions of the recipient(s).

The first prize for a group of individuals was awarded during the 31st Annual meeting of the IDB Board of Governors held in Kuwait in 1427H (2006). The individual prize has been awarded to 2 women from Jordan and Palestine, and the prize for organizations was awarded to 3 organizations from Kyrgyz Republic, Burkina Faso, and Palestine. The fields for awards in 1428H (2007) are for Individuals; "Women Advocates for Rural/Poor Girls Education" and for Women's Organizations and NGOs; "The Role of I.T Education Programmes in Women's Socioeconomic Development".

3. Health Promotion

Improving health services in member countries is recognized in the IDB Vision. The IDB supports the efforts of member countries to achieve health related MDGs by reducing proportion of undernourished children, reducing child and maternal mortality, and fight major diseases including Blindness and Malaria in African LDMCs.

Besides building infrastructure for the health facilities in member countries, the IDB provides financing for major health programmes including control of Malaria and Blindness especially in African member countries. The IDB has supported the OIC Program on Achieving Self Reliance in Vaccine Production (SRVP) to ensure its affordability and availability in OIC member countries. Out of the approved $5.6 million for the programme, by the end of 1427H (January 2007), $2.5 million had been spent on six project and seven training courses.

The IDB also participates in the World Health Organization (WHO's) global initiative "Vision 2020-The Right to Sight" to reduce Blindness in developing countries and particularly, in Sub-Saharan Africa. The IDB has financed 7 Blindness control programme in 5 member countries, namely Burkina Faso, Chad, Djibouti, Mali and Niger and contributed $0.3 million to the programmes. So far, through the programmes, over 2,000 patients have recovered their sights after surgery. In order to build local capabilities, training has been provided to 35 medical technicians and 8 ophthalmologists.

The IDB's assistance to health sector is mainly for primary health care focusing on delivery of health services to the rural poor as well as for the establishment of hospitals. By the end of 1427H (January 2007), the IDB has financed projects for health sector amounting to ID746.5 million ($1.2 billion), leading to the establishment of more than 2,700 primary healthcare units, over 100 district/regional hospitals, and a number of specialist hospitals in 40 member countries. During the period 1396H-1427H (1976-

January 2007), the IDB financed 167 projects in health sector, reaching 7.3 percent of its total project financing.

4. Education Promotion

The IDB has been supporting the efforts of its member countries to develop human resources by financing education and training programmes. The IDB's interventions in education sector is aimed at reducing illiteracy rate in the LDMCs and increasing access to the primary education.

The IDB supports governments of Sub-Saharan African countries in their efforts to develop bilingual (Franco-Arabic) education. An international donor's conference on the bilingual education was held in N'Djamena, Chad, in June 2004, where about $450 million was pledged with IDB contributing $300 million. During 1999-2004, the IDB financed 8 pilot projects for $17.3 million for Chad and 7 pilot projects for $14.5 million for Niger. The IDB has also financed two projects in Niger for $28.9 million and one project in Chad for $14.6 million. A regional T.A project for Burkina Faso, Guinea, Mali and Senegal for an amount of $0.3 million has been approved. Moreover, 20 projects totalling $256.2 million for 9 member countries Burkina Faso, Guinea, Mali, Senegal, Cameroon, Benin, Togo, Chad and Niger are under preparation.

On average, the IDB's financing in education sector hovered around 10 percent ID1.2 billion ($1.6 billion) of its net approved project financing. However, the past few years have witnessed active engagement of the IDB in the education sector, representing 15 percent of its active portfolio totalling $985 million. The Fast Track initiative under the "Quick Win" programmes of the IDB 1440H Vision, which aims to expand primary and tertiary education, will provide further boost to the IDB financing in the education sector.

The IDB's involvement in the education sector has led to the establishment of around 4,600 primary schools, 600 secondary schools, 205 vocational training centres and 60 universities, colleges and other educational facilities. More than 3 million students are estimated to have benefited from the IDB's intervention in the education sector. Furthermore, it is estimated that as many as 8,000 students worldwide and 18,000 trainees have benefited from the IDB scholarship and training programmes.

VII. EXPANSION OF ISLAMIC FINANCIAL SERVICES INDUSTRY

The Islamic financial services industry (IFSI) has witnessed significant expansion globally as its size reached around $900 billion by the end of 2006. It has emerged as a viable system and acceptable alternative to traditional finance for mobilizing savings and financing investment by offering a range of products for consumers and investors. In addition, the Islamic capital market is fast emerging with tradable securities creating greater liquidity for institutional investors. The future prospects of the IFSI remain strong, as its growth is expected to be in double digits. Recent economic progress in some member countries and availability of ample liquidity in the financial sector provides further opportunities for IFSI's growth.

The IDB Group plays a leading role in promoting and strengthening Islamic financial institutions worldwide. It focuses on a five pronged strategy: (i) developing and using innovative instruments of Islamic finance to mobilize resources, (ii) helping the financial industry by identifying its future needs, (iii) promoting dialogue among its stakeholders, (iv) creating necessary financial infrastructure institutions; and supporting adoption of harmonized standards, and (v) extending technical assistance for capacity building.

Since its inception, the IDB Group promoted IFSI, which is one of the three Strategic objectives of its Five-Year Strategic Plan. The IDB 1440H Vision also provides strategic thrust for expansion of the IFSI and suggests measures to overcome policy gaps and promote Islamic microfinance industry. The "Quick Win" for the IFSI calls for creation of a fund for development and consolidation of Islamic financial industry, to activate Awqaf sector as vibrant social institutions, and launch Islamic microfinance houses.

A brief summary of the major contributions made by the IDB Group in core areas which are critical for the development of the IFSI is as follows:

1. Development of Modes of Financing

The IDB has developed and operationalized Shari'ah-compliant modes such as Loan, Equity, Leasing, Profit Sharing, Instalment Sale, and Istisna'a, which are used for project financing, and Murabaha for trade financing. By the end of 1427H (January 2007), the IDB had used these modes to provide over $4.2 billion Loans, and invested $1.5 billion in Equity. It has also financed $5.3 billion in Leasing, $27.2 billion in Murabaha, $2.6 billion in Instalment Sale, and $2.9 billion in Istisna'a. Since 1424H (2003), the Bank has introduced Sukuk to mobilize $900 million. It has also developed a number of Shari'ah-compliant funds which are used for mobilizing additional resources. Recently, the IDB has developed Shari'ah-compliant methods to reduce the cost of finance through hedging against risks associated with currency and profit rates. Liquidity management has also been enhanced through mobilization of short-term funds using reverse Murabaha within the approved limit of ID500 million.

2. Participation in the Equity of Islamic Financial Institutions

The IDB supports the growth of Islamic Financial Institutions (IFIs) by participating in their equity, providing them co-investment opportunities, and building their capacity through training, and research. The IDB assisted in establishing a number of IFIs particularly by way of equity investment in the share capital or participation in increasing their capital. So far, the IDB has contributed ID148.7 million ($207.6 million) for 67 IFIs including Islamic banks, finance houses, investment, insurance and leasing companies worldwide.

IDB Mode of Financing
Instalment Sale: Under this mode of financing, introduced in 1405H (1985), the IDB purchases assets (machinery and equipment) and then sells them to the beneficiary at a higher price, the repayment being in instalments. Unlike leasing, the ownership of the asset is transferred to the purchaser on delivery.
Istisna'a: This is a medium-term mode of financing, introduced in 1416H (1996). It is a contract for manufacturing (or construction) whereby the manufacturer (seller) agrees to provide the buyer with the goods identified by description, after they have been manufactured/constructed, in conformity with that description, within a certain time-frame and for an agreed price.
Leasing or Ijara: It is a medium- to long-term mode of financing introduced in 1397H (1978), which involves purchasing and subsequently transferring of the right of use of the equipment and machinery to the beneficiary for a specific period of time, during which the Bank retains the ownership of the asset.
Lines of Financing: The lines are extended to financial institutions in member countries to finance projects and trade operations of small- and medium-scale enterprises.
Loan: This mode, introduced in 1396H (1976), is concessionary in nature and different from that of other MFIs, extended to the member countries for financing projects. It carries only a service fee intended to cover the actual cost of administering the loan. The repayment period ranges from 15-25 years including a grace period of 3-7 years.
Mudaraba: A form of partnership where one party provides the funds and the other provides the expertise and management. Any profits accruing are shared between the two parties on a pre-agreed ratio, while the capital loss is borne by the fund provider.
Murabaha: A contract of sale between a buyer and a seller in which a seller purchases the goods needed by a buyer and sells the goods to the buyer on a cost-plus basis. Both the profit (mark-up) and the time of repayment (usually in instalments) are specified in an initial contract.
Profit-Sharing: This mode, introduced in 1397H (1978). A financing technique that involves pooling of funds by two or more parties in order to finance a particular venture. Each partner obtains, in accordance with the terms and conditions of partnership, a percentage of (net) profit accruing from the venture. The profit accrued is shared proportional to each partner's contribution in the capital of the venture.
Equity Participation: Through this mode of financing, introduced in 1396H (1976), the Bank participates in the share capital of various companies. However, the level of IDB's participation does not exceed one-third of the equity capital of the project.

3. Supporting activities of the Standard Setting Bodies

The IDB has supported the establishment and activities of the Islamic financial infrastructure institutions including the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI); International Islamic Financial Market (IIFM); the Islamic Financial Services Board (IFSB); International Islamic Rating Agency (IIRA) and the International Arbitration and Reconciliation Centre for Islamic Financial Institutions (ARCIFI). The establishment of these institutions is aimed at enhancing the level of transparency, prudence, corporate governance, risk management, and dispute resolution in the IFSI.

More recently, the IDB has collaborated with the IFSB through participation in Technical committees/Taskforces for preparing (a) Corporate Governance Guidelines; (b) Money Market Guidelines; (c) Principles of Disclosure and Transparency; and (d) Prudential Financial Statistics for Islamic Financial Institutions. The Guidelines for Corporate Governance was adopted in 1427H (2006) and work on other three is in progress.

4. Research and Training

The IDB through the IRTI undertakes a range of services for facilitating the development of the IFSI. It undertakes research, provides training and information services in the fields of Islamic economics, banking and finance. In the area of research, the IRTI conducts fundamental and applied research for developing models and methods for application of Shari'ah in the fields of economics, banking, and finance. The training activities of the IRTI are undertaken to build skills and human capacity required for the development of IFSI. These activities involve conducting specialized training courses and workshops mainly in the field of Islamic economics, banking and finance, private sector development and macro-economic management. In an effort to create awareness of Islamic banking and finance, the IRTI prepared and presented several papers at international forums and written articles highlighting the role of IFSI.

5. Policy Dialogue

The IDB Group has adopted an integrated approach for engaging in policy dialogue for the promotion of the IFSI which includes: (i) financial engineering and product development; (ii) developing instruments for Islamic capital market; (iii) risk management and financial architecture; and (iii) Islamic microfinance and insurance. The IRTI, in collaboration with the IFSB, has prepared a Ten-Year Framework for the development of the IFSI which covers broad set of strategies and initiatives for developing its various components including banks, non-banking financial institutions, inter-bank, capital market, and insurance services. A joint standing committee has been constituted to implement the recommendations for both institutional and infrastructure development in consultation with the industry players and stakeholders.

Ensuring the adherence to the Shari'ah, the IDB Group has expanded the role of its Shari'ah Advisory Committee which also now serves as the guiding body for the IFSB. The IDB is formalizing an agreement with the IMF to support T.A programme in member countries for developing adequate legal and regulatory framework, devising effective policies, and building institutional capacity for the promotion of the IFSI. The IDB has established an Islamic Financial Sector Development Forum which provides a platform for IFIs and other institutions to forge strategic alliances for the orderly development of IFSI.

VIII. PROMOTION OF ECONOMIC COOPERATION AMONG MEMBER COUNTRIES

Since its inception, the IDB has pursued promotion of economic cooperation among its member countries as an important ingredient for achieving economic development. Increasing trade and investment is considered as crucial elements for enhancing the level of cooperation among member countries. Accordingly, the IDB Group has developed a range of cooperation-related activities that include promotion of intra-trade, integration of member countries' economies into global trading system, increasing investment, and enhancing technical cooperation. The IDB is also strengthening its cooperation with national financial institutions, forging close links

and working relationships in particular with the OIC and its affiliated institutions, and with other sub-regional, regional and international organizations.

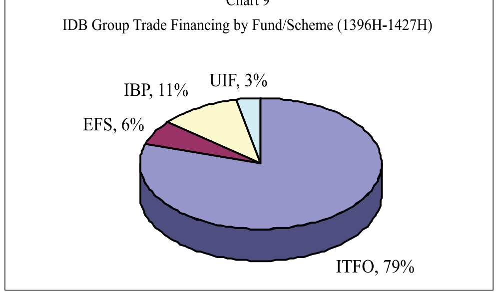
1. Trade Operations

The objective of the IDB trade financing operations is to promote intra-trade among member countries. This is achieved through financing vital imports of much needed intermediate and capital goods of member countries.

Trade financing operations, which started in 1397H (1977) are undertaken through two major schemes namely Import Trade Financing Operation (ITFO) and the Export Financing Scheme (EFS). In addition, other entities of IDB Group and specialized funds (UIF, IBP, APIF, Treasury Department and ICD) also participate in trade financing activities. Chart-9 depicts the share of various funds and schemes engaged in trade financing activities. With the creation of the ITFC in 1428H (2007) all trade operations of different windows will be undertaken by it.

Chart 9

IDB Group Trade Financing by Fund/Scheme (1396H-1427H)



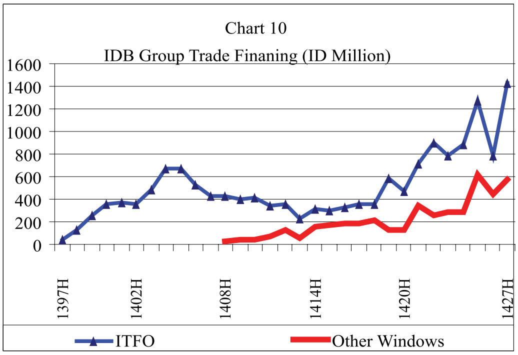
The net cumulative trade financing approvals of the IDB Group at the end of 1427H (January 2007) reached ID20.3 billion ($27.2 billion) for 1,945 operations.

Import Trade Financing Operations

The Import Trade Financing Operations (ITFO) is by far the most widely used scheme for trade financing and a major instrument for promotion of intra-OIC trade. The fund for the ITFO comes from the Bank's own resources which are used for the import of essential development goods for member countries. In order to supplement the ITFO resources, funds are also mobilized from the market through Syndication and Two-Step Murabaha Financing (2SMF[18]) mechanisms. During the period 1397H-1427H (1977-January 2007), net approvals by ITFO amounted to ID16 billion ($21.1 billion) for 1,370 operations. The ITFO finances import of commodities, like crude oil and refined petroleum products, which accounted for 47.3 percent of its total financing, followed by intermediate goods at 25.2 percent and other raw-material and service at 23.5 percent. The financing to the private sector under ITFO has also increased in 1427H (2006), representing 38 percent of its total approvals.

The ITFO operations increased from ID43.6 million ($50.5 million) in 1397H (1977) to ID1.3 billion ($2.1 billion) in 1427H (January 2007). The recent impressive performance of ITFO is due to increase in resources availability and widening the

[18]It is a mode of financing used by the IDB to provide funds to other banks/financial institutions for the purpose of their trade financing operations and/or the IDB mobilizes funds from other banks/financial institutions for its trade financing operations.



coverage of the scheme to more member countries. In 1427H, about $1.1 billion was mobilized to complement the IDB's OCR in providing funding for trade financing operations as compared to $0.6 billion in 1426H. The financing to Sub-Saharan African LDMCs registered a substantial increase of 63 percent in 1427H. The scheme has benefited 21 importing member countries and total approvals for intra-OIC trade was over 80 percent during the past 5 years. The trends in net approvals of ITFO over the years are shown in Chart-10. The cumulative trade financing approvals under all windows (excluding ITFO) have also increased from $32.4 million in 1408H (1987) to $591.5 million by the end of 1427H (January 2007).

Export Financing Scheme

The Export Financing Scheme (EFS) was launched in 1408H (1987) to promote exports of member countries. It provides short- and long-term financing for the exports destined to both the member and non-member countries. The scheme has been dissolved[19] in 1427H following the formal establishment of ITFC. Prior to the dissolution the aggregate amount approved under the Scheme as at the end of 1427H (January 2007) was ID1.2 billion ($1.7 billion) for 217 operations, in favour of 25 exporting member countries.

Trade Financing by Other Windows

During the period 1397H-1427H (1977-January 2007), trade financing activities of other windows of the IDB Group varied both in terms of number of operations and amount. Cumulatively, the IBP's net trade financing reached ID2.2 billion ($3 billion) for 186 operations, UIF at ID0.6 billion ($0.9 billion) for 110 operations, and APIF at ID23.2 million ($34.3 million) for 18 operations. In addition, the Treasury Department of the Bank and the ICD also participated in trade financing operations and so far both have financed ID268.4 million ($392.5 million) and ID31.5 million ($46.6 million), respectively.

2. Trade Promotion

Besides the trade financing schemes described above, the Bank has designed specific programmes for the promotion of trade among its member countries.

[19] The participating member's paid-up capital in EFS is now part of the ITFC's Capital. However, since the ITFC has not yet commenced business activities, its fund is still been managed by the IDB for trade financing activities.

Trade Cooperation and Promotion Programme

The IDB has established a Trade Cooperation and Promotion Programme (TCPP) in 1415H (1994) to enhance the level of intra-OIC trade through promotion and facilitation of trade cooperation among its member countries. The Programme is an integrated part of the IDB trade promotion framework. The TCPP has provided support to member countries through organizing World Islamic Business Forum, trade fairs, and provided assistance on trade strategies and legal aspects of trade. Under the programme, a number of seminars, workshops, meetings, and specialized training courses were organized. In 1427H, the programme expanded both its scope of activities and country coverage. The focus of its activities remained on the capacity building of export promotion agencies. Since its establishment, the Programme, on average undertakes 20 such activities on a yearly basis. In Rabi Thani 1427H (May 2006), the IDB signed an MoU with the government of Turkey aimed at promoting trade and investment between Turkey and African member countries. An OIC Trade Forum was organized as part of the activities during the 30th meeting of the IDB Board of Governors held in Malaysia, during which the need for non-reciprocal market access for the LDMCs was emphasized. The IDB has also signed a co-financing agreement with the Exim-bank of Malaysia and has allocated $100 million for financing Palm oil and other resources-based manufactured exports.

Assistance for WTO-Related Matters

After the establishment of the World Trade Organization (WTO[20]) in 1995, the IDB in 1997 established a Technical Assistance Programme (TAP). The Programme aims to help the OIC member countries in WTO related matters by ensuring their meaningful participation in the multilateral trading system. The objective of the Programme is to strengthen institutional capacity and manpower resources of member countries on WTO-related activities. The IDB extends assistance to its member countries in the areas of negotiating WTO trade rules, understanding and meaningfully applying the WTO rules, participating effectively in the WTO processes, promoting common interests of member countries during the negotiation process, and providing technical support and advice on accession-related issues to member countries.

The sixth WTO ministerial conference held in Hong Kong in 2006 reiterated the need for capacity building in developing countries to overcome the implementational challenges of WTO agreement. These challenges include the legislative adjustments, implementation of new standards, improving production capacity, and enhancing institutional capacity and human capabilities. The IDB delivers its WTO-related T.A by organizing consultative meetings, training courses on trade policy, seminars and workshops, studies, and country-specific assistance to countries intending to join WTO. By the end of 1427H (January 2007), the IDB had organised 23 consultative meetings, 12 trade policy courses, 26 seminars/symposiums on different WTO-related topics, and 13 workshops on the impact of some WTO agreements on member countries. In addition, the IDB conducted 5 sectoral studies and financed 14 country-

[20]Currently, 39 IDB member countries are members of the WTO, whose total membership stands at 150.

specific WTO-related T.A operations. It also collaborated with international trade-related institutions such as the WTO, United Nations Conference on Trade and Development (UNCTAD), International Trade Centre (ITC) and World Intellectual Property Organization (WIPO) in the design, development and implementation of its T.A. Programme.

3. Investment Promotion

Promotion of investment flows is important for accelerating economic development of member countries. It has been an area of primary interest to the IDB Group and also featured prominently in the IDB 1440H Vision and OIC 10-Year Programme of Action.

The IDB Group facilitates intra-investment flows to member countries through a number of activities such as supporting the organization of investment conferences, facilitating joint ventures among member countries, and giving priority to financing those projects which benefit two or more member countries. The IDB has organized a number of investment conferences to create awareness among prospective investors about existing opportunities in member countries. It also organized various symposia and workshops on investment related issues, impediments, requirements and environment. Two entities of the IDB Group, ICIEC and ICD also contribute in the promotion of investment. The ICIEC is mandated to facilitate the flows of investment to OIC member countries by encouraging the use of insurance of investment against commercial and political risks. The ICD promote investment through the development of private sector in member countries.

A Workshop on Capacity Building for facilitation of Trade and Investment for OIC member countries was held in 2006 which recommended the enhancement of productive capacity of SME sector, Infrastructure and human resource development, and creating conducive environment for Foreign Direct Investment (FDI). An International investment conference was organized by IDB in Baku-Azerbaijan in November 2006 to attract investors to explore investment opportunities in Azerbaijan. The theme of the IDB Annual Conference held in Kuwait in May 2006 was on the "Role of the Private Sector and Financial Institutions in Promoting Intra-Trade, Investment and Joint Ventures".

In 2005, the IDB Group established Investment Promotion Technical Assistance Program (ITAP) for implementing various investment promotion and T.A programmes in member countries. The objective of the programme is to assist member countries in attracting FDI. The ITAP Program aims to address three inter-related challenges namely: (i) institutional development, (ii) sharing best practices, and (iii) dissemination of information on investment opportunities in member countries.

The ITAP will tailor the required policy interventions and best practices based on the successful experiences of some of the IDB member countries such as UAE, Malaysia, Turkey and Egypt and replicate them in other member countries. The ITAP will also be conducting training programs for Investment Promotion Agencies on specific aspects of investment promotion by teaming up with member countries which have achieved

considerable successes in their FDI promotion activities. In September 2006, the first such training program was held in Malaysia in collaboration with the Malaysian Industrial Development Authority (MIDA). The ITAP is currently in discussions to hold similar programs in other member countries such as Turkey and Egypt.

To overcome the problem of lack of information regarding investment opportunities in member countries, under the ITAP a specific portion of Multilateral Investment Guarantee Agency (MIGA) web-portal www.fdi.net will be dedicated for the IDB member countries to provide information on investment guidelines, economic studies, tax and investment laws, and information regarding ease of doing business.

The IDB has contributed a grant of ID5 million to the private enterprise partnership facility managed by the International Finance Corporation (IFC) for its member countries of MENA region. The facility is to extend T.A for investment promotion to the financial institutions, business community, and to improve the investment climate and promote SME sector. To further enhance intra-investment flows among member countries, the IDB provides lines of financing to the National Development Financing Institutions (NDFIs), cooperates with the Association of NDFIs in member countries, and with the Islamic Chamber of Commerce and Industry (ICCI), as well as with other Islamic banks. The IDB has made efforts to facilitate the enactment of an appropriate legal framework under the OIC "Agreement for the Protection and Guarantee of Investment among Member Countries" which is expected to further improve prospects for intra-investment.

4. Technical Cooperation

The Bank is committed to enhancing the quality of human resources and building institutional capacity for achieving socioeconomic development in its member countries. The Technical Cooperation Programme (TCP) of the IDB was established in 1403H (1983) to reinforce institutional capacity of member countries to scale up their development.

The TCP provides on-the-job training, conducts familiarization visits, recruits experts, finances studies and organises seminars and workshops. The priority areas identified for the Programme are finance, education, agriculture and environment. However, some additional sectors like industry, and transport and communication are also included in the Programme. Special consideration is given to requests received from the Commonwealth of Independent States (CIS) and LDMCs. During 1403H-1427H (1983-January 2007), 322 experts in different areas were recruited, 11,600 officials were trained, and 13,500 persons from public and private sectors participated in the TCP's co-sponsored seminars and workshops from various member countries and institutions.

By the end of 1427H (January 2007), the TCP had financed 1,400 operations for $30.8 million in member countries and regional/international institutions. Out of this, 622 operations amounting to $10.8 million were approved for training, 244 operations for worth $4.4 million for experts' services and 534 operations totalling $15.7 million were approved for organizing seminars and workshops. The programme has co-sponsored

several activities with the international agencies including UN agencies i.e. WHO, IFAD and FAO as well as the OIC affiliate organs such as Statistical, Economic, and Social Research and Training Centre for Islamic Countries (SESRTCIC), Islamic Centre for the Development of Trade (ICDT), Islamic Chamber of Commerce and Industry (ICCI) and OIC Standing Committee for Economic and Commercial Co-operation (COMCEC). The regional organizations such as ECO, AMU and GCC are also regularly benefiting from the support of the programme.

5. Strengthening Development Partnerships

The IDB is an active member of the multilateral development community and participates in a number of collaborative global initiatives aimed at promoting economic growth and development in member countries. To support the development activities in member countries, the IDB collaborates with development partners, Islamic Banks, National Development Financing Institutions (NDFIs), donors, and UN institutions. The following sub-sections provide a brief account of the role played by the IDB in forming strategic alliance with the multilateral institutions and institutions of member countries to provide joint development assistance to common member countries.

Co-Financing Arrangements

The IDB enhances its development role by co-financing projects in member countries jointly with other development partners. The co-financing[21] remains the principal mechanism for collaborating with other donors. Besides strengthening cooperation, co-financing enhances the catalytic role of the IDB to complement its development efforts for its member countries. In addition to co-financing, the IDB shares knowledge through staff exchange, participates in joint field visits, advocacy and outreach activities with other donors. The IDB is also involved in the harmonization programme of the Multilateral Development Banks (MDBs), which aimed at enhancing delivery of assistance to beneficiaries by adopting identical policies, procedures and practices. During the period 1396H-1427H (1976-January 2007), the IDB had co-financed 1,869 projects with donors and MDBs worth $86.6 billion; of which the IDB's contribution was $13.8 billion, representing 16 percent of the total cost. The contribution of other co-financers was $34.5 billion, representing 39 percent of the total cost.

Collaboration with the Coordination Group

The IDB collaborates with Arab national and regional development financing institutions which provide significant development assistance to member countries. The IDB, a member of the Arab Coordination Group[22] (ACG), maintains strong ties with this Group in order to increase the impact of their collective efforts for developing

[21]Co-financing refers to a financing arrangement in which two or more lenders contribute to funding a project under the same or different terms and conditions.

[22]In addition to the IDB and the OPEC Fund for International Development, the Coordination Group comprises of Arab National and Regional Development Institutions, which are: Abu Dhabi Fund for Development, Arab Fund for Economic and Social Development, Arab Bank for Economic Development in Africa (BADEA), Arab Gulf Programme for United Nations Development Organization (AGFUND), Kuwait Fund for Arab Economic Development, and Saudi Fund for Development.

countries. The Coordination Group has proved to be a role model for cooperation and partnership among development financing institutions. The Group has also pioneered the harmonization its policies and procedures particularly in procurement areas. During the past 30 years of the Group existence, the IDB has contributed in its activities and participated in its round table meeting to strengthen dialogue and collaboration. The Bank has organized round table meetings of the Coordination Group, and member countries of the CIS and the African region to identify projects for co-financing by the members of the Group. In 1427H (2006), the IDB hosted the 60th meeting of the Coordination Group to review ongoing and planned joint activities in common countries. During 1427H, the IDB co-financed 8 projects with other donors, of which 3 were financed with the members of the ACG (Arab Fund, Kuwait Fund and Saudi Fund). The collective financing of the Group for these 3 projects amounted to $437 million, which is 56 percent of the total project cost. The overall contribution of the ACG members in all co-financed projects represents 30 percent of the total cost.

Cooperation with Institutions of Member Countries

The IDB develops synergies and alliances with major financing institutions and organizations of member countries to strengthen their abilities to contribute more in the development process. The cooperation with financial institutions includes joint activities, capacity building and extending lines of financing.

The IDB has developed close working relationship with the NDFIs to contribute effectively to the promotion of the private sector in member countries and the development of SMEs. It reaches out to NDFIs for strengthening their capacity and enhancing investment for pro-growth and employment generation activities of SMEs. Accordingly, the IDB provides lines of financing in the form of Leasing, Instalment Sale and Istisna'a with a view to covering a large number of projects to spur competition and efficiency in the SME sector. By the end of 1427H (January 2007), the IDB had provided 30 lines of financing to 15 member countries of amounting to ID256.6 million ($339.3 million). In order to further increase the utilization of the lines of financing, the IDB has made provision of 'free limit', authorizing the NDFIs to approve sub-projects up to 25 percent of the overall approved amount of the lines, and providing the NDFIs with a margin of 3-5 percent, on top of the Bank's mark-up.

The Bank holds meeting with the NDFIs, every year, on the occasion of annual meeting of its Board of Governors, to discuss issues and challenges facing the SMEs and identify ways to support these enterprises with innovative and modern banking products.

6. Enhancing Cooperation with International Organizations

The IDB has long recognized the importance of strengthening cooperation with relevant international organizations for the betterment of its member countries. It has developed a working relationship with several organizations sharing common vision and objectives. The following sub-sections describe such cooperation.

Cooperation with the OIC and its Affiliated Organs

The IDB has close cooperation with the General Secretariat of the OIC, its subsidiary organs, specialized institutions and affiliated organizations. Over the years, the IDB has developed a strong working relationship with the OIC institutions including the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC) (Ankara, Turkey), the Islamic Centre for Development of Trade (ICDT) (Casablanca, Morocco); the Islamic Chamber of Commerce and Industry (ICCI) (Karachi, Pakistan) and the Islamic University of Technology (IUT) (Dhaka, Bangladesh). The nature of cooperation between the IDB and these institutions involves collaboration in the areas of research, training, information exchange and joint working groups. These institutions regularly undertake activities of special interest to the IDB. In addition, the Bank participates and holds consultative meetings on the periphery of the annual meetings of the OIC Standing Committee for Economic and Commercial Cooperation (COMCEC), Islamic Commission for Economic, Cultural and Social Affairs (ICECS) and Islamic Conference of Foreign Ministers (ICFM) to exchange views and develop collaborative programmes.

The IDB continues to implement the relevant decisions of the OIC Summit and it engages itself in initiatives which are aimed at enhancing economic development of its member countries. It has organized numerous seminars, conferences, courses and workshops related to trade, health, education, ICT, tourism, SMEs, agriculture, cotton, water resources, and transport. The IDB takes keen interest in the initiatives under OIC framework for trade liberalization and supports the 2nd Round of trade negotiation which started in 2006 to agree on a preferential Tariff Scheme.

The IDB has contributed $5.6 million for the Self-Reliance on Vaccine Production Programme (SRVP), and allocated $3.5 million for literacy programmes in ten member countries[23]. More recently, the IDB has established a working relationship with the newly established institutions of the OIC namely Islamic Conference Youth Forum for Dialogue and Cooperation (ICYF-DC), and Islamic Chamber Research and Information Centre (ICRIC). The IDB supports the activities of these institutions by financing research projects, training programme, and their participation in related activities.

Cooperation with Regional Organizations

The IDB promotes regional economic cooperation by working closely with regional organizations especially those with common membership and objectives. The Bank has signed MoUs with several regional organizations including the AMU, ECO, GCC, and ECOWAS. Under these MoUs, the IDB extends assistance for promoting economic and social development in member countries. For instance, the IDB provided assistance to ECO for a feasibility study on Interconnection of Power System and development of a Multi-modal Transport System. In 1426H, the IDB also extended technical assistance to the GCC Secretariat to study institutional role in promoting regional integration. It also provided financial and technical assistance to regional organizations for organizing events and implementing projects in priority sectors.

[23]Bangladesh, Chad, Djibouti, Gambia, Jordan, Mauritania, Morocco, Sierra Leone, Sudan and Yemen.

The IDB has facilitated cooperation between two or more regional grouping in Asia and Africa in collaboration with the Asian Development Bank (ADB) and the African Development Bank (AfDB). In addition, it has strengthened relationships with several other regional organizations where its member countries belong, such as African Economic and Monitory Union (UEMOA), the Common Market for Eastern and the Southern Africa (COMESA) and the Association of South East Asian Nations (ASEAN).

Cooperation with International Organizations

The IDB forges strategic alliance with other development partners to scale up development assistance to its member countries. It also maintains a close working relationship with specialized bodies of the UN and participates in relevant initiatives of global and regional institutions which include the World Bank (WB), the International Monetary Fund (IMF), the Asian Development Bank (ADB), the African Development Bank (AfDB), and the European Bank for Reconstruction and Development (EBRD). In 1426H (2005), it initiated a review of its relationship with other MDBs with the objective of updating areas of cooperation and joint activities. To date, it has participated in Nile River and the Niger Basin initiative for the development of water sector and is a member of the task force on "Water for All" initiative setup by the development partners. The Bank is also cooperating with international donors on Fast Track Initiative "Education for All" in Burkina Faso, Guinea, Mauritania, and Niger.

The IDB's collaborative activities with the UN agencies are aimed at assisting member countries in achieving MDGs targets by year 2015, developing agriculture and industries, and integrating their economics into the global trading system. Consequently, the IDB has broadened the scope of its relationship with the UN specialized institutions including United Nations Development Programme (UNDP), WHO, FAO, IFAD, UNCTAD, ITC, and WTO. In 1427H (2006), the IDB signed an MoU with the United Nations Industrial Development Organization (UNIDO) for enhancing production and trade efficiency. It has also signed a new MoU and cooperation agreement with the UNDP in November 2006 in New York to reinforce and strengthen future collaboration in common priority areas including joint efforts for achieving MDGs in IDB member countries.

IX. SCIENCE AND TECHNOLOGY FOR HUMAN DEVELOPMENT

1. Leveraging Science and Technology

Science and Technology (S&T) capacity is a driving force for providing competitive advantage to the knowledge driven economies. The OIC 10-Year Programme of Action sets out a vision for enhancement of human capital by leveraging S&T to achieve economic development. Since 1426H (2005), the IDB has announced its willingness to finance up to 10 percent of the member countries' annual programme in the field of S&T. The project for institutional capacity building and infrastructure related to S&T is implemented by the respective country operations departments of the IDB. Over the past 5 years, the IDB approved 44 projects in the area of S&T for member countries amounting to $393.9 million and 25 T.A operations for $5.3 million. The following sections describe the role played by the IDB in enhancing S&T in member countries.

Assistance to Technological Centres/Universities

Over the years, the IDB has increased financing for S&T projects and programmes to build institutional capacity, provision of advanced equipment for laboratories, and establishment of applied research institutions. The IDB has provided assistance, among others, to the Ghulam Ishaq Khan Institute of Engineering Sciences and Technology in Pakistan, Research and Development Centre for Applied Chemistry in Indonesia, the University of Technology in Malaysia, the Marmara Research Centre and Middle East Technical University in Turkey, the Sharif University of Technology in Iran, the Institute of Health Sciences in Maldives, the Polytechnic Institute in Yemen, the BINA Bio fertilizer Centre in Bangladesh, the Leather Technology Centre in Sudan, the Paduke Seri Bagawan Sultan Science College in Brunei Darussalam, and the Institute of Physics and Technology in Kazakhstan.

Annual Inter-Islamic Networks Programme

Since 1419H (1998) the IDB has been implementing an annual Inter-Islamic Networks Programme. Under the programme a series of regional symposia has been organized. The theme for the symposia is "Investing in Technology" which brings together the public and private sectors investors to support OIC Inter-Islamic S&T Networks series of scientific workshops. The IDB contributes $200,000 annually for organizing eight state-of-the-art workshops. By the end of 1427H, the Bank completed eight rounds of the series which has resulted in the establishment of eight OIC S&T Networks by the OIC Standing Committee on Science & Technology (COMSTECH). The Networks established so far are for Water resources (INWARDAM) in Jordan; Renewable Energy Sources (INRES) in Pakistan; Space Science and Technology (ISNET) in Pakistan; Oceanography (INOC) in Turkey; Genetic Engineering and Biotechnology (INOGE) in Egypt; Tropical Medicine (INTROM) in Malaysia; Biosaline Agriculture (ICBA) in UAE; and Information and Communication Technology (INIT) in Pakistan. In 2006, two more COMSTECH-sponsored networks were established for Agriculture sector in Sudan.

IDB's Young Reseacher Support Programme

The IDB launched the Young Reseacher Support Programme (YRSP) in 1422H (2001) to provide scholarships/grants ranging from $8,000 to $15,000 to selected young researchers from member countries. The pilot phase of the programme has been completed and its being evaluated with a view to developing it into an annual programme. Under the programme the IDB has provided $350,000 for 15 researchers.

IDB Prize for Science and Technology

The IDB continued to promote scientific research and education by supporting institutions in member countries towards achieving excellence. Since 1423H (2002), the IDB has introduced the IDB Prize for S&T amounting to $100,000, which is given to three institutions every year. The Prizes are awarded for achievements in the following three categories: (i) excellence in a given scientific specialty; (ii) outstanding science and technology contribution to social and economic development, (iii) best performing R&D centre in one LDMC.

Science and Technology Expatriate Nationals Programme

The IDB has initiated the S&T Expatriate Nationals Programme (STENP) to mitigate the adverse effects of "Brain-Drain" phenomenon at the level of young scientists. The Programme is built on the model of UNDP-TOKEN which facilitates the returns of high skill expatriate scientists to their countries of origin with the purpose of benefiting from their expertise. The Programme facilitates the return of scientists to work in their home countries by establishing centres of excellence in member countries. The IDB is making a yearly contribution of $200,000 for the programme.

Centres of Excellence

The IDB, in collaboration with COMSTECH, has been making efforts to mobilize resources for S&T in member countries with a view to establish 21 Centres of Excellence in various fields of S&T. It has also strived to develop collaborative relationships among these centres by encouraging joint research projects. The IDB has provided grants for 2 joint research projects amounting to $145,000. Research arrangements have been agreed between (i) the HEJ Research Institute of Chemistry in Pakistan and Aromatic Plants Research Institute in Sudan, and (ii) the IDB's International Centre for Biosaline Agriculture (ICBA) with the National Institute for Agriculture Research in Niger.

2. Supporting Human Resource Development

The IDB programme for the development of human resource for S&T is undertaken through providing assistance to scientists, and offering scholarships for higher studies and research. The scholarship programme of the IDB aims to build scientific and technological capabilities of the human capital in both member and non-member countries. The IDB has developed three scholarship programmes for outstanding students in high-tech specializations namely: (i) Scholarship Programme for Muslim Communities in Non-Member Countries, (ii) Merit Scholarship Programme for High Technology, and (iii) M.Sc. Programme for Science and Technology. The major activities of these programmes are as follows:

Scholarship Programme for Muslim Communities

The Scholarship Programme for Muslim Communities (SPMC) in non-member countries was established in 1404H (1983) to support academically meritorious and needy Muslim students to pursue higher studies in universities in their countries or in other IDB member countries in specified professional disciplines. The subjects covered by the programme are medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science. Beginning from 1420H (1999), the Programme has included six other subjects namely accountancy, administration, banking, business studies, finance, management and marketing with allocation of 10 percent quota. Although, the Programme is designed especially for Muslim communities in non-member countries; 10 member countries[24] have been benefiting

[24]These countries are: Afghanistan, Albania, Azerbaijan, Cote d'Ivoire, Kazakhstan, Mozambique, Nigeria, Palestine, Somalia and Togo.

from the programme on an exceptional basis. Under the Programme, scholarships had been given to students from 48 Muslim communities and 10 IDB member countries.

To facilitate the implementation of the SPMC, the Bank usually requests its member countries to place students on IDB Scholarship in their universities, especially if the students are unable to study in their own countries. Accordingly, 13 member countries have SPMC students, of which three countries Malaysia, Turkey and Tunisia signed MoUs with the IDB for placing students under all the three IDB Scholarship Programmes in their universities. Further assistance is expected to come from other member countries. Since inception of the Programme, the IDB has approved ID46.5 million ($62 million) in favour of 7,450 students, of which 4,752 students had completed their studies and 2,698 students are currently enrolled in different programmes. About 98 percent of the graduates from the programmes are gainfully employed.

Merit Scholarship Programme for High Technology

The Merit Scholarship Programme (MSP) for High Technology was introduced in 1411H (1991) and provides scholarships for advanced studies and research in science and applied technology. The objective of the Programme is to develop technically qualified human resources and enhance scientific and technological capabilities of institutions in member countries. The scholarships are awarded to outstanding scholars and researchers to undertake advanced studies/research in 16 selected areas, which are considered important for the development of member countries. Under the Programme scholars can undertake doctoral or post doctoral research in designated universities. The scholarships are to be used at selected institutions and universities approved under the Programme. The period of study is three years for a doctorate degree and 6-12 months for a post-doctorate research.

Initially, the Programme was launched for 5 years with a total approved budget of $9.2 million to train approximately 80 scientists. However, after evaluation, the Programme has been extended twice. Institutions in the emerging high-tech countries of Asia and other member countries are also considered for placement of scholarship holders for higher studies. Starting from 1427H, the Bank has increased the number of MSP scholarships to 50 and an additional allocation of $2 million will be made available for the Programme every year.

Since inception of the Programme 346 scholars from 237 institutions in 46 member countries have received the merit scholarship, of whom 187 had completed their PhDs and returned to their home institutions/countries, while 159 are studying for their PhD Programmes. The total amount spent on the Programme up to the end of 1427H (January 2007) stood at ID10 million ($13 million). Evaluation of the MSP showed that 80 percent of the scholars, upon completion of their studies, returned to their countries to contribute to national development.

M.Sc. Scholarship Programme for Science and Technology

In order to provide the students of LDMCs with access to scientific and technological education, the IDB launched M.Sc. Programme in 1419H (1998). The Programme aimed to develop human resources in twenty LDMCs[25]. The Programme places selected students in various universities and centres of excellence in member countries in courses related to their national needs and requirement of their development programmes. The new feature of the Programme allows students from LDMCs to register for doctoral research and qualify for the IDB MSP.

During 1419H-1427H (1999-2007), 183 students were selected for the Programme of which 77 students had graduated, 106 students are currently enrolled and 4 students are registered in the PhD programme. By the end of 1427H (January 2007), the total amount spent on the Programme amounted to ID0.71 million ($0.95 million).

X. ACHIEVING INSTITUTIONAL EFFECTIVENESS

Like any other development institution, the IDB has been interested in evaluating the impact of its development assistance on the lives of its beneficiaries. To this end, it has made its development assistance client-focused, created synergies and strategic partnerships, and built in house capacity. To improve the effectiveness of its development assistance, the IDB has aligned its activities to the Poverty Reduction Strategies of member countries through its Country Assistance Programs. In line with the mandate of the 2005 Paris Declaration on Aid Effectiveness, the IDB is committed to specific actions to further country ownership, harmonize and align its interventions, manage development results, and ensure mutual accountability in the use of its assistance. The IDB is fulfilling these objectives by ensuring that all newly approved projects have a built-in project audit component.

As part of its efforts to optimize project financing strategy, the Bank maintains an adequate number of projects in pipeline for each country. The IDB has also revised the cost of financing to make it compatible with the market, increased project size from ID35 million to ID80 million, increased repayment period for loan from 15 to 20 years and given member countries the choice to choose between fixed or floating rates for financing from OCR. It has also reviewed its procurement procedures for goods and services and harmonized them with other MDBs.

Recognizing the important role of the private sector, state owned enterprises, municipalities and local governments in providing basic services, the IDB is getting increasingly involved in the private sector and sub-sovereign entities. The IDB is now extending financing to these entities without any sovereign guarantees and has developed innovative financing structures to mitigate risk and achieve satisfactory results. In 1427H (2006), over 20 percent of total project financing was extended to non-sovereign entities and 6 projects were in power infrastructure and manufacturing sector in 5 member countries. The IDB has also been improving its effectiveness in

[25] These countries are: Afghanistan, Benin, Burkina Faso, Chad, Comoros, Djibouti, Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Palestine, Sierra Leone, Somalia, Togo, Uganda, and Yemen.

the delivery of its operations and has focused on two aspects: reviewing the portfolio of on-going projects and increasing its operations evaluation activities for both on-going and completed projects. In order to improve its organizational efficiency, the IDB Group in 1427H has initiated a new corporate governance system, approved public information disclosure policy, adopted a new delegation of authority, and implemented new operational guidelines and policies.

1. Portfolio Assessment

The Bank constantly reviews its portfolio to improve its overall quality by removing projects that have been cancelled. It continued to ensure timely completion of projects, in accordance with projects stated objectives and in compliance with Bank's guidelines. At the end of 1427H (January 2007), the overall size of active portfolio reached ID5.4 billion for 765 operations. Out of this, 474 operations (representing 59 percent of total amount) were disbursing, while the remaining 291 operations (representing 41 percent of total amount) were at pre-disbursement stage. In-line with new project implementation guidelines, introduced in 1426H (2005) and with the current project portfolio quality improvement programme, strong focus is being placed on the quality-at-entry and efficient post entry processing of projects. In addition, the IDB ensures the successful completion of projects, by designing projects to match the capacity of member countries in terms of implementing and sustaining the projects. As a result of the Bank's strategy, 390 operations were completed during 1425H-1427H(2004-January 2007) for a total amount of ID1.85 billion (representing 35 percent of active portfolio), while 79 operations valued at ID833 million were cancelled.

2. Operations Evaluation

The IDB conducts independent and objective evaluation of its operations (both completed and on-going projects) with a view to improving its operational efficiency and fostering developmental impact. The Bank, has so far evaluated 279 completed operations, 19 special assistance operations as well as 11 on-going projects with serious difficulties. It has also conducted Country Assistance Evaluation (CAE) for five member countries (i.e. Jordan, Tunisia, and Mauritania, Senegal and Tajikistan) as well as undertook an evaluation of IDB's assistance in road sub-sector in West Africa. Also evaluation studies for Education and Health sectors are nearing completion. A thematic study on IDB's experience in financing acquisition of buses in Africa is under way.

Dissemination and feedback of evaluation findings and lessons learned constitute the backbone of the evaluation exercise. It aims at improving the quality, efficiency, and effectiveness of future IDB's financing activities. The evaluation findings, lessons learned and recommendations are shared through reports, holding seminars/workshops and discussion in Technical Review Group and Operations Committee meetings.

XI. IDB AS A KNOWLEDGE INSTITUTION

The IDB has been striving to become a knowledge-based institution, in line with the IDB 1440H Vision. Accordingly, it has taken a number of initiatives as follows:

1. Knowledge Generation and Acquisition

IDB Annual Symposium

Since 1409H (1989), the IDB has been organizing Symposium annually in conjunction with the annual meetings of its Board of Governors. The IDB annual Symposium provides a forum for experts from member countries to exchange views on issues of common interest. The Symposium helps in identifying new initiatives for achieving greater economic cooperation at the level of member countries and the IDB Group. The thematic issue covered in each Symposium is selected from areas of special interest to IDB member countries. The proceedings of every Symposium is published and distributed to a wider audience.

At the end of 1427H (January 2007), the Bank had organized 17 Symposia on wide-ranging such as: (i) Agricultural Development and Food Security, (ii) Counter-Trade Arrangements, (iii) Promotion of Joint Ventures, (iv) Enhancing the Scientific and Technological Capabilities, (v) Promotion of Exports, (vi) Obstacles and Opportunities for Investment in the African LDMCs, (vii) Human Development, (viii) Implications of the Uruguay Round Agreements and the WTO, (ix) Promotion of Information Technology for Development, (x) Enhancing Private Sector Participation in Physical Infrastructure Development, (xi) Resource Mobilization from Capital Markets for Financing Development, (xii) Enhancing Productivity and Competitiveness, (xiii) Women in Poverty Alleviation: Better Access to Education and Micro Finance, (xiv) Cooperation for Intra-Investment, (xv) Health Millennium Development Goals: reversing the incidents of Malaria in IDB member countries, (xvi) Knowledge and ICT for Development (KICT4D), and (xvii) Role of the Private Sector and Financial Institutions in Promoting Intra-Trade, Investment and Joint Ventures. The theme for the 18th Symposium/Conference is “Capacity Building for Promoting Trade and Investment in Africa.”

Occasional Papers

The Bank started preparing Occasional papers in 1419H (1998) with a view to studying and analysing cross cutting economic issues of concern to the member countries. The Occasional Papers are distributed at the annual meeting of the IDB Board of Governors and also hosted on IDB Website (www.isdb.org). These Occasional Papers provide a critical assessment of various economic development issues facing member countries.

The topics covered in the Occasional papers so far were: (i) Asian Financial Crisis; (ii) the Challenges of Poverty Alleviation (iii) Capacity Building for Promotion of Trade and Intra-Trade; (iv) the Role of Financial Markets in Private Sector Development; (v) Exploring Trade Complementarities, (vi) Promotion of Investment Flow; (vii) Resource Constraints in Financing Economic Development; (viii) Challenges of the New WTO Agenda; (ix) Grain Production in IDB member Countries; (x) Financing Basic Education; (xi) Managing Water Resource and Enhancing cooperation in IDB member countries, and (xii) Brain Drain in IDB member countries. The Occasional Paper for 1428H (2007), 13th in the series, will be on "Eradicating Malaria in IDB Member Countries in Africa".

Furthermore, the IRTI had also published Occasional Papers on the following ten topics: (i) Preparation of Ummah for 21st Century in the area of Economic; Trade and Financial Cooperation among OIC member countries, (ii) Challenges Facing Islamic Banks; (iii) Regulation and Supervision of Islamic Banks; (iv) Islamic Banks: Answers to some Frequently Asked Questions; (v) Survey of Risk Management Issues in Islamic Financial Industry; (vi) Corporate Governance in Islamic Financial Institutions; (vii) Financing Government Expenditures: As Islamic Perspective; (viii) the Role of Zakah and Awqaf in Poverty Alleviation; (ix) Islamic Capital Markets Products: Development and Challenges; and (x) Islamic Finance and Challenges of Hedging.

IRTI Knowledge Activities and Training

The research program of IRTI is focused on themes such as financial stability, corporate governance and transparency, risk management, market discipline, product development, legal framework and efficiency of Islamic banks. On the other hand, the developmental themes of its economic research, have been focusing on sustainable development, poverty alleviation, development of Islamic financial products and markets especially for protection of investor and promotion of socially responsible business activities. In 1427H (2006), the IRTI prepared two important papers on Islamic Law, Corporate Finance and Financial Development, and on Privatization in member countries: Some Empirical Evidence.

The IRTI has training programs for advancement of human capital for personnel engaged in economic development activities in member countries. It focuses on five themes: (i) poverty alleviation, (ii) private sector development, (iii) macroeconomic management, (iv) human resource management, and (v) Islamic economics, banking and finance.

Distance Learning Centre

The Distance Learning Centre (DLC) is affiliated to the World Bank's Global Development Learning Network (GDLN) and was established in December 2002 at the IDB headquarters. The objectives of the DLC are to: (i) provide cost-effective training facility for staff, (ii) participate in a range of learning opportunities and sharing of experiences at the international level, and (iii) broadcast relevant courses on Islamic Economics, Awqaf, Zakah, and Islamic Banking to various institutions in member and non-member countries. The IDB has provided technical and financial assistance for establishing 5 DLCs in selected universities of Lebanon, Kuwait, Pakistan, Iran and United Kingdom. The facility will be further expanded to few other institutions to enable them to participate in online courses.

In addition to special lectures organized by the IRTI, the DLC regularly conducts courses on Islamic Finance and Economics of 10 weeks duration each, on yearly basis. These lectures are broadcasted to participating universities in different countries. Furthermore, the DLC facilities are used for conducting IDB Information Technology related Online training courses. Since its establishment, the DLC has conducted around 200 events.

2. Knowledge Management

Knowledge Management Framework

The IDB has adopted a knowledge management (KM) framework with a view to transforming itself into a knowledge-based institution, for the purpose of sharing knowledge to enhance its performance. The KM function of the IDB Group became operational in 1425H (2004) and aimed to connect, collect, and create knowledge on the IDB Group and make it readily accessible to a wide audience inside and outside the IDB Group.

The 18-month interim KM plan has been successfully implemented through designated Knowledge coordinators, who played a vital role in executing the KM activities at their departments/offices. The Plan has covered several activities including Development of Strategic Framework to guide the KM activities in the IDB. The Oral History program was completed which has captured significant "Tacit Knowledge" of the IDB Group (i.e. stories, memories, feelings, perspectives and interpretations of value), that generally do not find their way into written reports. A Story competition was held to capture knowledge from the field focusing on the positive contribution made by the IDB Group in term of how its projects and activities have touched people's lives. Activities are also undertaken to create awareness among member countries to promote the concept of knowledge economy. Training has been imparted to the IDB staff through specialized workshops on knowledge economy tools and methodologies.

Information Technology

The Bank aims to have a robust I.T infrastructure to facilitate its day-to-day business. It has established communication systems which facilitate the flow of information within the Bank, with member countries, and regional offices. The IDB maintains high-tech I.T facilities, which include internal Local Area Network, external secure Virtual Private Network, and SWIFT System. To enable its business clients easy and speedy online access to various services, the IDB has launched a new dynamic web portal. It has also implemented wireless network within the IDB and started Web-casting important events internally. The IDB's enterprise business applications system covers core functions of Human Resource Management, Projects, Finance and Treasury Operations.

A Record and Documentation System has been implemented with the objective to making the IDB a paperless organization. All the important documents are scanned, indexed, and archived and made available through the IDB Intranet for the benefit of the staff. By the end of 1427H (January 2007), over 700,000 documents comprising 4 million pages were digitized and published on-line and more than 20 department/offices have stored their documents electronically.

In 1427H (2006), the IDB launched a new integrated Information Technology Program (ITP)[26] which will bring substantial improvement in the processing and reporting of business information. The project is expected to make IDB's operations

[26] The new name for the ITP is Business Enhancement and Systems Transformation (BEST).

cost effective, enhance productivity, and reduce business transactions time. The new system will capture all aspects of the IDB's core business processes and facilitate access to information, which will help the Bank in making informed decisions. The Project will be implemented over 5 years covering financial, business and operations aspects of IDB Group.

IDB Library

The library provides an excellent learning and research facility for the staff of the Bank. It has an extensive collection of over 65,000 titles of print and non-print materials in the areas of Islamic finance and banking, development economics, investment, trade, management science, and information technology. The collection is backed up with an extensive journal collection of more than 500 international periodicals as well as a number of online reference and statistical databases.

The IDB library has an easy to use website on the IDB intranet. It enables the IDB Group staff to utilize its huge collection of online journals and databases, search its bibliographic database and access their library accounts as well as other library services.

The library's Learning Resource Centre provides training material for continuous professional development and self education of the Bank staff. The collection includes video tapes, audio cassettes, and PC software on subjects such as economics, management, finance and Islamic banking etc.

XII. CHALLENGES AND THE WAY FORWARD

Over the past three decades, the IDB has strived to respond to the various challenges arising from the diverse requirements of its member countries as well as those from the global environment in which it operates. In this context, the Bank has always leveraged on lessons learnt from its past experience and drew inspiration from the best practices of other multilateral institutions to serve better the development needs of its member countries.

More recently, the IDB has undertaken major initiatives to enhance its financial position by doubling the authorized capital to ID30 billion, establishing a new entity called ITFC for trade promotion with an authorized capital of $3 billion, and setting up a new fund for poverty reduction with a target capital of $10 billion. These initiatives are meant to significantly improve and strengthen the IDB's ability to provide more development assistance to member countries.

A dynamic institution like IDB cannot continue to do business as usual without injecting new ideas and introducing new schemes. It has to reposition itself to address myriad of problems. In this respect, the IDB undertook a strategic review of its activities and developed a long term "IDB 1440H Vision". The implementation of the Vision requires enhanced level of resource commitment, realignment of operations, improved organization structure, and better coordination to maximize its development impact. The challenge that remains in implementing the IDB 1440H Vision is to re-align the objectives of its Strategic Plan to that of the Vision and the OIC 10-Year

Programme of Action within a given timeframe. This will require periodic policy review to ensure that its strategic direction remains aligned to its long-term goals.

The IDB has continued to support efforts of member countries to achieve the targets set in the MDGs. While some member countries have made considerable progress and may likely attain the key goals and targets, Sub-Saharan African member countries would need extra resources to keep pace, particularly in reducing poverty, achieving universal primary education, reducing child mortality and providing access to safe drinking water. A common theme in the IDB 1440H Vision and the OIC 10-Year Programme of Action is poverty alleviation in member countries. The challenge is how to better target IDB development assistance to specific sectors such as agriculture, small and medium enterprises, and private sector development, so that the poorest of the poor will be lifted out of poverty.

Despite considerable progress made by the Islamic financial services industry (IFSI), it still remains as an evolving industry that provides banking services. It needs to expand its products, and diversify services. It also should make efforts to expand services to reach the lowest segment of the population by introducing Islamic microfinance. Expansion of IFSI internationally needs harmonized operational and Shari'ah standards and development of common regulatory framework to support cross-border transactions and avoid market fragmentation. However, in order to sustain the pace of growth in the IFSI, it requires supportive legal framework from member countries to further develop Islamic capital market.

Improving access to the financial services and using microfinance as a developmental tool for uplifting socioeconomic conditions of the poor, is an important instrument for future development assistance strategy. The potential for providing Shari'ah-compliant financing to SMEs has not yet been fully addressed. The IDB finances SMEs in member countries but it needs to streamline its activities by increasing financial support, building capacity, introducing Shari'ah-compliant microfinance, and financing SMEs in collaboration with other IDB Group entities especially the ICD and the ICIEC.

Promoting economic cooperation among its member countries has remained an important strategic objective of the IDB since inception. The IDB plays a pivotal role in programmes aimed at promoting mutually beneficial and complementary activities at country as well as regional levels. To this end, promotion of intra-trade remains an essential mechanism for enhancing cooperation and achieving sustained economic growth in member countries. The establishment of ITFC is expected to further consolidate and enhance trade financing activities of the IDB and assist member countries to attain the target of increasing intra-trade to 20 percent.

The digital divide between member countries and the rest of the world is widening. If science and technology is appropriately promoted, it can present great opportunities for narrowing down the digital divide within and among member countries. The IDB will continue to facilitate sharing of knowledge by promoting and financing activities requiring use of information and communication technology (ICT). The Knowledge

and ICT for Development (KICT4D) initiative can prove to be a driving force for future development in member countries which will in turn require developing internal capacity, human resource, and mechanism for sharing knowledge and expertise.

The IDB has further strengthened its financial soundness. In 1427H (2006), the "FitchRatings" has upgraded the rating of the IDB from "AA" to "AA+" and assigned the highest short-term rating of "F1+". Also for the first time, Moody's Investors Service assigned "Aaa" long-term and "Prime-1" short-term issuer rating to IDB. These ratings by different rating agencies have confirmed, *inter alia*, the viability and financial soundness of the IDB. However, IDB would need to remain financially prudent to sustain its robust "AAA" ratings, by S&P, which has been maintained for the 5th consecutive year.

The IDB remains committed to its mission of promoting economic development and social progress of member countries and becoming a leading multilateral development financing institution of developing countries. Based on its over three decades experience in the service of development, the IDB has the ability to turn various challenge into an opportunity and to meet the aspirations of its stakeholders.